

OFFICIAL STATEMENT DATED FEBRUARY 22, 2024

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

The Bonds have NOT been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)..... "AA"
Moody's Investors Service, Inc. (Underlying) "Baa3"

\$9,285,000

BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1 OF MONTGOMERY COUNTY

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

UNLIMITED TAX BONDS

SERIES 2024

Dated: March 1, 2024

Interest Accrues From: Date of Delivery

Due: September 1, as shown on the inside cover

The \$9,285,000 Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds, Series 2024 (the "Bonds") are obligations of Blaketree Municipal Utility District No. 1 of Montgomery County (the "District") and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); or any entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; or any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the initial date of delivery (on or about March 26, 2024) (the "Date of Delivery") and is payable on September 1, 2024, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable to the person in whose name the Bonds are registered at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

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



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

Investment in the Bonds is subject to special investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject to, among other things, the approval of the Attorney General of Texas and Coats Rose, P.C., Bond Counsel. Delivery of the Bonds in book-entry-only form through the facilities of DTC is expected on or about March 26, 2024.

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

\$9,285,000

BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1 OF MONTGOMERY COUNTY

UNLIMITED TAX BONDS

SERIES 2024

\$7,360,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 09320C (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 09320C (b)
2025	\$225,000	4.000%	3.350%	FE2	2036 (c)	\$360,000	4.000%	3.600%	FR3
2026	235,000	4.000%	3.300%	FF9	2037 (c)	380,000	4.000%	3.700%	FS1
2027	245,000	4.000%	3.250%	FG7	2038 (c)	395,000	4.000%	3.800%	FT9
2028	255,000	4.000%	3.200%	FH5	2039 (c)	410,000	4.000%	3.900%	FU6
2029	265,000	4.000%	3.200%	FJ1	2040 (c)	430,000	4.000%	4.000%	FV4
2030	280,000	4.000%	3.250%	FK8	***	***	***	***	***
2031 (c)	290,000	3.000%	3.400%	FL6	2045 (c)	535,000	4.000%	4.130%	GA9
2032 (c)	305,000	3.250%	3.500%	FM4	2046 (c)	560,000	4.000%	4.150%	GB7
2033 (c)	315,000	3.250%	3.600%	FN2	2047 (c)	585,000	4.000%	4.170%	GC5
2034 (c)	330,000	3.500%	3.650%	FP7	2048 (c)	615,000	4.000%	4.190%	GD3
2035 (c)	345,000	4.000%	3.500%	FQ5					

\$1,925,000 Term Bonds

\$920,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price: \$98.968) (a), CUSIP No. 09320C FX0 (b)

\$1,005,000 Term Bond Due September 1, 2044 (c)(d), Interest Rate: 4.000% (Price: \$98.486) (a), CUSIP No. 09320C FZ5 (b)

-
- (a) The initial reoffering yield has been provided by the Initial Purchaser and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2030, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor (herein defined).

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility 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.

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

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

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 any purpose.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1	Book-Entry-Only System.....	12
SALE AND DISTRIBUTION OF THE BONDS.....	3	Successor Paying Agent/Registrar	14
Award of the Bonds	3	Registration, Transfer and Exchange	14
Prices and Marketability	3	Funds	15
Securities Laws	3	Redemption Provisions.....	15
MUNICIPAL BOND INSURANCE.....	3	Mutilated, Lost, Stolen or Destroyed Bonds.....	16
Bond Insurance Policy.....	3	Outstanding Bonds.....	16
Build America Mutual Assurance Company.....	4	Authority for Issuance.....	16
RATINGS.....	5	Source of Payment.....	17
OFFICIAL STATEMENT SUMMARY	6	Issuance of Additional Debt.....	17
SELECTED FINANCIAL INFORMATION	10	No Arbitrage.....	18
INTRODUCTION.....	12	Defeasance	18
THE BONDS.....	12	Legal Investment and Eligibility to Secure Public	
General.....	12	Funds in Texas.....	19

Registered Owners' Remedies.....	19	General.....	42
Use and Distribution of Bond Proceeds.....	20	Factors Affecting Taxable Values and Tax	
THE DISTRICT.....	21	Payments.....	42
Authority.....	21	Competitive Nature of Residential Housing	
Description.....	21	Market.....	44
Management of the District.....	21	Risks Associated with Second Home Market.....	44
Investment Policy.....	21	Tax Collection and Foreclosure Remedies.....	44
Consultants.....	21	Registered Owners' Remedies and Bankruptcy.....	44
DEVELOPMENT OF THE DISTRICT.....	22	Marketability.....	45
Bluejack National.....	22	Future Debt.....	45
Other Development.....	23	Continuing Compliance with Certain Covenants.....	45
Status of Development within the District.....	24	Environmental Regulations.....	45
PHOTOGRAPHS TAKEN IN THE DISTRICT.....	25	Hurricane Harvey.....	47
PRINCIPAL LANDOWNER AND DEVELOPER.....	26	Severe Weather; Potential Impact of Natural	
Role of the Developer.....	26	Disaster.....	48
The Developer.....	26	Specific Flood Type Risks.....	48
Development Financing.....	27	Potential Effects of Oil Price Fluctuations on the	
Principal Landowner.....	27	Houston Area.....	48
THE UTILITY SYSTEM.....	27	Approval of the Bonds.....	48
Regulation.....	27	Changes in Tax Legislation.....	49
Water Supply.....	27	Bond Insurance Risk Factors.....	49
Wastewater Treatment.....	27	LEGAL MATTERS.....	50
Storm Water Drainage.....	27	Legal Opinions.....	50
100-Year Flood Plain.....	27	No-Litigation Certificate.....	50
Lone Star Groundwater Conservation District.....	28	No Material Adverse Change.....	50
General Fund Operating Statement.....	29	TAX MATTERS.....	50
DISTRICT DEBT.....	30	Opinion.....	50
General.....	30	Federal Income Tax Accounting Treatment of	
Debt Service Requirement Schedule.....	32	Original Issue Discount Bonds.....	51
Direct and Estimated Overlapping Debt		Collateral Federal Income Tax Consequences.....	52
Statement.....	33	State, Local and Foreign Taxes.....	52
Debt Ratios.....	33	NOT Qualified Tax-Exempt Obligations.....	52
TAXING PROCEDURES.....	33	CONTINUING DISCLOSURE OF INFORMATION.....	53
Authority to Levy Taxes.....	33	Annual Reports.....	53
Property Tax Code and County-Wide Appraisal		Event Notices.....	53
District.....	33	Availability of Information from EMMA.....	54
Property Subject to Taxation by the District.....	34	Limitations and Amendments.....	54
Tax Abatement.....	35	Compliance with Prior Undertaking.....	54
Valuation of Property for Taxation.....	36	OFFICIAL STATEMENT.....	55
Agricultural, Open Space, Timberland and		General.....	55
Inventory Deferral.....	37	Experts.....	55
District and Taxpayer Remedies.....	37	Certification as to Official Statement.....	55
Levy and Collection of Taxes.....	37	Updating of Official Statement.....	55
Notice and Hearing Procedures.....	38	CONCLUDING STATEMENT.....	56
Rollback of Operation and Maintenance Tax			
Rate.....	38	APPENDIX A - Independent Auditor's Report and	
District's Rights in the Event of Tax		Financial Statements of the District	
Delinquencies.....	39		
TAX DATA.....	39	APPENDIX B - Specimen Municipal Bond Insurance	
General.....	39	Policy	
Tax Rate Limitation.....	39		
Debt Service Taxes.....	39		
Maintenance Taxes.....	39		
Tax Exemption.....	40		
Historical Tax Collections.....	40		
Tax Rate Distribution.....	40		
Analysis of Tax Base.....	40		
Principal Taxpayers.....	41		
Tax Rate Calculations.....	41		
Estimated Overlapping Taxes.....	42		
INVESTMENT CONSIDERATIONS.....	42		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the “Initial Purchaser”). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS” on the inside cover page hereof, at a price of 97.307264% of the principal amount thereof, which resulted in a net effective interest rate of 4.121941%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue a Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.00 million, \$230.7 million, and \$269.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance Policy for the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgement, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody's.

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The District..... Blaketree Municipal Utility District No. 1 of Montgomery County (the “District”), a political subdivision of the State of Texas (“Texas”), is located within Montgomery County, Texas (the “County”). See “THE DISTRICT.”
- The Bonds..... The District is issuing its \$9,285,000 Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds, Series 2024 (the “Bonds”). The Bonds are dated March 1, 2024, and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. Interest on the Bonds will accrue from the initial date of delivery (on or about March 26, 2024) (the “Date of Delivery”) at the rates per annum set forth on the inside cover of this Official Statement and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
- Redemption Provisions The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on March 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

The Bond maturing on September 1, 2025, through September 1, 2040, both inclusive, and September 1, 2045, through September 1, 2048, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2042 and 2044 are term bonds and are subject to mandatory redemption provisions as set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
- Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of Texas; the County; or any other entity other than the District. See “THE BONDS – Source of Payment.”

Payment Record.....	The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Outstanding Bonds	The District has previously issued four (4) series of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System") and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). At the delivery of the Bonds, \$23,545,000 in principal amount of such bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds" and "THE BONDS – Authority for Issuance."
Authority for Issuance.....	The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 8, 2016; (iii) an order adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Order"); and (iv) an order of the Texas Commission on Environmental Quality. See "THE BONDS – Authority for Issuance."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to pay for or reimburse the Developer (herein defined) for the improvements and related costs shown under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
NOT Qualified Tax-Exempt Obligations	The Bonds have <u>NOT</u> been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings.....	S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "Baa3." See "RATINGS."
General & Bond Counsel.....	Coats Rose, P.C., Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	Quiddity Engineering, LLC, Houston, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Houston, Texas.

THE DISTRICT

Description.....	The District was created by Senate Bill No. 1979, Acts of the 81 st Texas Legislature, Regular Session, codified as Chapter 8316, Texas Special District Local Laws Code. The District comprises approximately 952 total acres. See "THE DISTRICT."
------------------	--

Location The District is located entirely within the County, approximately 55 miles northwest of the City of Houston, Texas. The District is south of Highway 105, north of Farm-to-Market (“FM”) 1488, and west of South FM 1486. A portion of the District lies within Magnolia Independent School District and the balance lies within Montgomery Independent School District. The District is not located within the extraterritorial jurisdiction or corporate limits of any city. See “THE DISTRICT.”

Bluejack National The District contains the approximate 768-acre resort-style community and private club known as “Bluejack National.” Residential development within Bluejack National is planned to include approximately 424 residential lots consisting of Member Suites, Cottage Homes, Sunday Homes, Lake Villas, Retreats, and custom estate lots. Currently, Bluejack National is a mixture of second homes and primary residences.

Member suites are multi-family, two-bedroom, one-bath condo units. The condo units are approximately 1,200 square feet in size and are currently being marketed from the high \$900,000s to low \$1,000,000s.

Cottage homes are freestanding single-family, three to four-bedroom condo units. The homes range in size from approximately 1,850 square feet to 3,000 square feet and are currently being marketed from the low \$1,000,000s to \$1.85 million.

Sunday Homes are vacation-style single-family, four-bedroom homes. The homes range in size from approximately 2,800 square feet to 3,400 square feet and are currently being marketed from the high \$1.95 million to over \$2.0 million.

Lake Villas are freestanding single-family, four to five-bedroom condo units. The home ranges are approximately 3,200 square feet and are currently being marketed from the high \$1.7 million to \$2.2 million.

Custom estate lots range from 0.5 acres to 1.5 acres and are currently being marketed from \$450,000 to the low \$1,000,000s. Lot owners will have the choice of the following custom homebuilders: Bluejack Builders, Mendoza Builders, Dream Works Properties, Jeff Paul Custom Homes, Elite Texas Custom Homes, K&C Classic Homes, and Morning Star Builders.

Amenities currently serving Bluejack National include: an 18-hole championship-level golf course, a 10-hole short course, an outdoor/indoor entertainment center including resort-style pools, sports fields, a water slide, a water park with a splash pad, a canoeing lake, bowling lanes, dining areas, locker rooms, a media room, a state-of-the-art spa and wellness center featuring a movement studio, heated lap pool, cold plunge pool, jacuzzi, yoga lawn, fitness areas, personal training, private treatment rooms, salt saunas, steam room, locker rooms and lounges, grooming barber, nail salon, juice, coffee, and cocktail bar, four (4) tennis courts, a fishing dock, a bar and restaurant, a climate-controlled dining area, and event and meeting centers. Bluejack National’s clubhouse is currently under construction with an anticipated opening in the third quarter of 2024. The clubhouse will feature a full-service

restaurant, bars/lounges, conference rooms, locker rooms, and will serve as the new home of the pro shop. See “DEVELOPMENT OF THE DISTRICT – Bluejack National.”

Montgomery Land Partners LP (“MLP”), owns approximately 186 acres of land within the District, which MLP intends to self-develop. Such land is anticipated to consist of approximately 75 single-family homes on approximately 1.5-to-3-acre lots. See “PRINCIPAL LANDOWNER AND DEVELOPER.”

Developer & Principal Landowner The primary developer of land within the District is The Bluejack Company, LLC, a Delaware limited liability corporation (the “Developer”).

Montgomery Land Partners LP (“MLP”), owns approximately 186 acres of land within the District. Such land is under development and is anticipated to consist of approximately 75 1.5-to-3-acre single-family homes. See “PRINCIPAL LANDOWNER AND DEVELOPER.”

Development within the District Development in the District began in 2016. To date, approximately 241.04 acres within the District have been developed or are currently being developed as 253 residential lots (20 Sunday Homes and 233 Estate Lots), 171 condo units (24 Member Suites, 84 Cottages, 30 Lake Villas, and 33 Retreats) and a golf course in Bluejack National, Phase 1A and 1B.

As of January 1, 2024, development within the District consisted of 51 completed homes (51 occupied and 0 unoccupied), 10 homes under construction, 114 completed condo units (114 occupied and 0 unoccupied), 14 condo units under construction, and 235 vacant, developed lots (192 residential lots and 43 condo units). The remainder of land within the District includes approximately 15.08 acres under development, approximately 278.37 undeveloped but developable acres (approximately 185.65 acres of which lies outside the boundaries of Bluejack National), and approximately 417.42 undevelopable acres. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

INVESTMENT CONSIDERATIONS

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

[Remainder of Page Intentionally Left Blank]

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Assessed Valuation	\$ 292,054,114	(a)
Estimate of Assessed Valuation as of January 1, 2024.....	\$ 351,201,055	(b)
Direct Debt:		
The Outstanding Bonds (as of the Date of Delivery).....	\$ 23,545,000	
The Bonds	<u>\$ 9,285,000</u>	
Total.....	\$ 32,830,000	
Estimated Overlapping Debt	<u>\$ 15,634,817</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 48,464,817	(c)
Direct Debt Ratios:		
As a Percentage of the 2023 Assessed Valuation	11.24	%
As a Percentage of the Estimate of Assessed Valuation as of January 1, 2024.....	9.35	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2023 Assessed Valuation	16.59	%
As a Percentage of the Estimate of Assessed Valuation as of January 1, 2024.....	13.80	%
Utility Debt Service Fund Balance (as of January 12, 2024)	\$ 913,536	(d)
Road Debt Service Fund Balance (as of January 12, 2024).....	\$ 23,354	(e)
Utility Capital Projects Fund Balance (as of January 12, 2024).....	\$ 2,462,013	
Road Capital Projects Fund Balance (as of January 12, 2024).....	\$ 25,212	
Operating Fund Balance (as of January 12, 2024).....	\$ 1,374,005	
2023 Tax Rate:		
Utility Debt Service	\$ 0.720	
Road Debt Service	\$ 0.020	
Maintenance and Operations	<u>\$ 0.360</u>	
Total.....	\$ 1.100	
Average Annual Debt Service Requirement (2024–2048)	\$ 1,968,600	(f)
Maximum Annual Debt Service Requirement (2044).....	\$ 2,214,050	(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement (2024–2048) at 95% Tax Collections:		
Based on the 2023 Assessed Valuation.....	\$ 0.71	
Based on the Estimate of Assessed Valuation as of January 1, 2024.....	\$ 0.60	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement (2044) at 95% Tax Collections:		
Based on the 2023 Assessed Valuation.....	\$ 0.80	
Based on the Estimate of Assessed Valuation as of January 1, 2024.....	\$ 0.67	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, provided by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. Represents an estimate of the assessed valuation of all taxable property within the District as of January 1, 2024, and includes an estimate of assessed valuation resulting from the construction of taxable improvements from January 1, 2023, through January 1, 2024. No taxes will be levied against such amount unless and until certified by the Appraisal District as part of the District's January 1, 2023, assessed valuation. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility Debt Service Fund (herein defined). Any funds in the Utility Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Utility System (herein defined), and for the refunding of such bonds.
 - (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Any funds in the Road Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Road System (herein defined), and for the refunding of such bonds.
 - (f) Represents the debt service requirements on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

\$9,285,000

BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1 OF MONTGOMERY COUNTY

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

UNLIMITED TAX BONDS, SERIES 2024

INTRODUCTION

This Official Statement of Blaketree Municipal Utility District No. 1 of Montgomery County (the “District”) is provided to furnish information with respect to the issuance by the District of its \$9,285,000 Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas (“Texas”), including particularly Chapters 49 and 54 of the Texas Water Code; (ii) an election held within the District on November 8, 2016; (iii) an order adopted by the Board of Directors of the District (the “Board”) on the date of sale of the Bonds (the “Bond Order”); and (iv) an order of the Texas Commission on Environmental Quality (the “TCEQ”).

This Official Statement includes descriptions of the Bonds, the Developer (herein defined), the Bond Order, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

The Bonds are dated March 1, 2024. Interest on the Bonds will accrue from the initial date of delivery (on or about March 26, 2024) (the “Date of Delivery”) and is payable on September 1, 2024, and each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the “Book-Entry-Only System”) has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Participants (herein defined), (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (herein defined), or that they will do so on a timely basis, or

(3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner (herein defined). The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by

the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Funds

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

Redemption Provisions

Optional Redemption

Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2042 and 2044 are term bonds (the "Term Bonds"), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$920,000 Term Bonds Maturing on September 1, 2042

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$ 450,000
September 1, 2042 (Maturity)	\$ 470,000

\$1,005,000 Term Bonds Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 490,000
September 1, 2044 (Maturity)	\$ 515,000

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Outstanding Bonds

The District has previously issued four (4) series of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System") and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). At the delivery of the Bonds, \$23,545,000 in principal amount of such bonds will remain outstanding (the "Outstanding Bonds").

Authority for Issuance

The Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Utility System. At an election held within the District on November 8, 2016, voters of the District authorized the District's issuance of \$168,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the purpose of refunding such bonds; \$70,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds; and \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the purpose of refunding such bonds.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 8, 2016; (iii) the Bond Order; and (iv) an order of the TCEQ.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Such tax proceeds, after deduction for collection costs, will be placed in the Utility Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and additional bonds payable from taxes which may be issued for the Utility System.

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to bonds issued for the purpose of acquiring or constructing the Utility System and parks and recreational facilities to serve the District) necessary to provide improvements and facilities consistent with the purposes for which the District was created.

Following the issuance of the Bonds, \$134,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the purpose of refunding such bonds; \$69,110,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds; and \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the purpose of refunding such bonds will remain authorized but unissued. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued for the purpose of acquiring or constructing the Utility System or parks and recreational facilities to serve the District, approved by the TCEQ).

Following the reimbursement to the Developer (herein defined) with the proceeds of the Bonds, the District will owe the Developer approximately \$50,000 for its expenditures to construct the Utility System and approximately \$438,000 for its expenditures to construct parks and recreational facilities pursuant to a reimbursement agreement between the District and the Developer. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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 fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. 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. The District has no current plans to submit an application for approval of a fire protection plan.

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

No Arbitrage

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

Defeasance

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults 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 Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce 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 be further limited by 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 and creditors of political subdivisions, such as the District.

Use and Distribution of Bond Proceeds

The proceeds of the sale of the Bonds will be used to pay for or reimburse the Developer for the construction costs set out below. In addition, the proceeds of the sale of the Bonds will be used to pay the non-construction costs set out below. Totals may not sum due to rounding.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. Construction of Bluejack National Hole 15 Headwall	\$ 93,799
2. Lake Villas Phase II – W, WW, D	286,622
3. The Retreats Phase II – Clearing and Grubbing, Mass Grading, and W, WW, D	508,861
4. Engineering	573,243
Total Developer Contribution Items	<u>\$ 1,462,525</u>
B. District Items	
1. Drainage Improvements	\$ 2,487,000
2. Drainage Ponds Land Cost	1,060,180
3. WWTP Purchase	700,154
4. Water Plant No. 1 Improvements	1,210,000
5. Water Well No. 6	339,300
6. Contingencies (Items No. 1 & 4)	370,000
7. Engineering (Items No. 1 & 4)	711,000
Total District Items	<u>\$ 6,877,634</u>
 TOTAL CONSTRUCTION COSTS (89.82% of BIR)	 <u>\$ 8,340,159</u>
 <u>Non-Construction Costs</u>	
A. Legal Fees	\$ 210,700
B. Fiscal Agent Fees	185,700
C. Developer Interest	127,231
D. Bond Discount	250,020
E. Bond Issuance Expenses	45,162
F. Bond Application Report Costs	65,000
G. Attorney General Fee (0.10% or \$9,500 max.)	9,285
H. TCEQ Bond Issuance Fee (0.25%)	23,213
I. Contingency (a)	28,530
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 944,841</u>
 TOTAL BOND ISSUE REQUIREMENT	 \$ 9,285,000

(a) Represents the difference between the estimated and actual amounts of Bond Discount.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

The District was created by Senate Bill No. 1979, Acts of the 81st Texas Legislature, Regular Session, codified as Chapter 8316, Texas Special District Local Laws Code, and by a confirmation election held within the District on November 3, 2009. The District operates under Chapters 49 and 54 of the Texas Water Code and other general laws of Texas applicable to municipal utility districts and is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is authorized to construct, acquire, develop and maintain roads to serve the District using operating revenues or by issuing bonds payable from taxes. Additionally, the District is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes.

Description

The District comprises approximately 952 total acres and is located entirely within the County, approximately 55 miles northwest of the City of Houston, Texas (“Houston”). The District is south of Highway 105, north of Farm-to-Market (“FM”) 1488, and west of South FM 1486. A portion of the District lies within Magnolia Independent School District and the remaining portion lies within Montgomery Independent School District. The District is not located with the extraterritorial jurisdiction or corporate limits of any city.

Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Tammy Pizzitola	President	2028
Jimmy Thornton	Vice President	2028
Lorie Varnas	Secretary	2026
Lee M. Johns	Assistant Secretary	2026
Scott Alan Shelburne	Assistant Secretary	2026

Investment Policy

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

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

Bookkeeper: The District’s bookkeeper is L&S District Services, LLC.

Auditor: The financial statements of the District as of March 31, 2023, and for the year then ended, included in this Official Statement as “APPENDIX A – Independent Auditor’s Report and Financial Statements of the District,” have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as stated in their report appearing herein. The District has engaged McCall Gibson Swedlund Barfoot PLLC to prepare its audit for the fiscal year ending March 31, 2024.

Operator: The District’s operator is Hays Utility North Corporation.

Engineer: The District’s engineer is Quiddity Engineering, LLC (the “Engineer”).

Bond Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as disclosure counsel (“Disclosure Counsel”) to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the “Financial Advisor”). The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

DEVELOPMENT OF THE DISTRICT

Bluejack National

The District contains the approximate 768-acre resort-style community and private club known as “Bluejack National.” Residential development within Bluejack National began in 2016 and is planned to include approximately 424 residential lots consisting of Member Suites, Cottage Homes, Sunday Homes, Lake Villas, Retreats and custom estate lots. Currently, Bluejack National is a mixture of second homes and primary residences.

Member suites are multi-family, two-bedroom, one-bath condo units. The condo units are approximately 1,200 square feet in size and are currently being marketed from the high \$900,000s to low \$1,000,000s.

Cottage homes are freestanding single-family, three to four-bedroom condo units. The homes range in size from approximately 1,850 square feet to 3,000 square feet and are currently being marketed from the low \$1,000,000s to \$1.85 million.

Sunday Homes are vacation-style single-family, four-bedroom homes. The homes range in size from approximately 2,800 square feet to 3,400 square feet and are currently being marketed from the high \$1.95 million to over \$2.0 million.

Lake Villas are freestanding single-family, four to five-bedroom condo units. The home ranges are approximately 3,200 square feet and are currently being marketed from the high \$1.7 million to \$2.2 million.

Custom estate lots range from 0.5 acres to 1.5 acres and are currently being marketed from \$450,000 to the low \$1,000,000s. Lot owners will have the choice of the following custom homebuilders: Bluejack Builders, Mendoza Builders, Dream Works Properties, Jeff Paul Custom Homes, Elite Texas Custom Homes, K&C Classic Homes, and Morning Star Builders.

In addition, Bluejack National includes the following amenities:

Championship-Level Golf Course – An 18-hole championship golf course designed by Tiger Woods Design.

The Playgrounds and Practice Grounds – A 10-hole short course designed by Tiger Woods Design that offers a casual golf experience or short-game practice.

The Place – A facility with a full-service restaurant and pro shop.

The Fort – An outdoor and indoor entertainment center including resort-style swimming pools, a water slide, a water park with a splash pad, a mini whiffle-ball field, a football field, a canoeing lake, bowling lanes, dining areas, locker rooms, and a media room.

The Sanctuary – A state-of-the-art spa and wellness center featuring a movement studio, heated lap pool, cold plunge pool, jacuzzi, yoga lawn, fitness areas, personal training, private treatment rooms, salt saunas, steam rooms, men’s/women’s locker rooms and lounges, grooming barber, nail salon, and juice/coffee/cocktail bar.

The Porch – Bluejack National’s clubhouse is currently under construction with an anticipated opening in the third quarter of 2024. The clubhouse will feature a full-service restaurant, bars/lounges, conference rooms, locker rooms, and will be the new home of the pro shop.

Additionally, Bluejack National includes several lakes and a fishing dock, four (4) tennis courts, a bar and restaurant, a climate-controlled dining area, and event and meeting centers.

Other Development

In addition to the land within Bluejack National, the District contains approximately 186 acres of undeveloped but developable acres, which are not affiliated with Bluejack National.

[Remainder of Page Intentionally Left Blank]

Status of Development within the District

Development in the District began in 2016. To date, approximately 241.04 acres within the District have been developed or are currently being developed as 253 residential lots (20 Sunday Homes and 233 Estate Lots), 171 condo units (24 Member Suites, 84 Cottages, 30 Lake Villas, and 33 Retreats) and a golf course in Bluejack National, Phase 1A and 1B.

As of January 1, 2024, development within the District consisted of 51 completed homes (51 occupied and 0 unoccupied), 10 homes under construction, 114 completed condo units (114 occupied and 0 unoccupied), 14 condo units under construction, and 235 vacant, developed lots (192 residential lots and 43 condo units). The remainder of land within the District includes approximately 15.08 acres under development, approximately 278.37 undeveloped but developable acres (approximately 185.65 acres of which lies outside the boundaries of Bluejack National), and approximately 417.42 undevelopable acres.

The table below summarizes the status of development and land use within the District as of January 1, 2024.

Bluejack National	Total Lots/Units	Homes Completed	Homes Under Construction	Vacant Developed Lots
Residential Lots				
Sunday Homes	20	11	2	7
Estate Lots	233	40	8	185
Subtotal	253	51	10	192
Condo Units				
Member Suites	24	24	-	-
Cottages	84	61	4	19
Lake Villas	30	17	5	8
Retreats	33	12	5	16
Subtotal	171	114	14	43
Total	424	165	24	235
District Acreage	Acres			
Developed Acres	241.04			
Under Development Acres	15.08			
Undevelopable Acres	417.42			
Undeveloped but Developable Acres	278.37			
Total	951.91			

[Remainder of Page Intentionally Left Blank]

PHOTOGRAPHS TAKEN IN THE DISTRICT

(February 2024)



PRINCIPAL LANDOWNER AND DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

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

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

The Developer

The primary developer of land within the District is The Bluejack Company, LLC, a Delaware limited liability corporation (the "Developer"). The Developer was created for the sole purpose of developing its land in the District. Its only substantial asset consists of land in the District. The Developer is owned and controlled by Bluejack Holdings, LLC, whose managing member is Andy Mitchell. Mr. Mitchell is the Founding Partner of Lantern Capital Partners ("Lantern"), a private equity firm, primarily focused on the middle market. Lantern is unaffiliated with Bluejack National.

The Developer controls or is affiliated with several other major taxpayers in the District. The Developer owns 100% of Bluejack Real Estate Co, LLC, Bluejack National Club Holdings, LLC, and Bluejack Development Co, LLC. In addition, the Developer has partnered with a custom homebuilder, Bluejack Builders II, LLC, an independent homebuilder which is owned by Andy Mitchell, to develop, construct and sell the Lake Villas, Retreats, Cottages, Sunday Homes, and custom estate homes at Bluejack National. See "TAX DATA – Principal Taxpayers."

Neither the Developer nor any affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Dependence on Principal Taxpayers.*"

Development Financing

On December 17, 2018, the Developer entered into a loan agreement with Hill Top US 6 Jersey SPV Limited (“Hill Top”) in the original principal amount of \$31,000,000, which was assigned by Hill Top to W-Birdie Investors LLC (“W-Birdie”) on July 7, 2021. On July 27, 2021, the Developer and W-Birdie entered into an amendment to the loan agreement which increased the amount of the loan to \$42,809,270. The loan is fully drawn. The loan has a maturity date of July 27, 2026, and an interest rate of 12%, with 6% interest to be paid in-kind and 6% interest to be paid in cash. The loan is secured by a deed of trust on all land and property owned by the Developer in the District.

Principal Landowner

Montgomery Land Partners, LP (“MLP”), owns approximately 186 acres of land within the District, which MLP intends to self-develop. Such land is anticipated to consist of approximately 75 single-family homes on approximately 1.5-to-3-acre lots.

THE UTILITY SYSTEM

Regulation

Construction and operation of the water, sanitary sewer and storm drainage system serving the District 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 water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and the County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

Water Supply

The District’s source of water is a water plant that consists of one 600 gallon per minute (“gpm”) well, one 200,000 gallon ground storage tank, one 10,000 gallon hydropneumatic tank, and three (3) 600 gpm booster pumps. The District’s water plant is currently capable of serving 250 ESFC’s. Proceeds from the Bonds will fund the construction of a proposed 400 gpm water well, 200,000 gallon ground storage tank, and 10,000 gallon hydropneumatics tank. Following the completion of the proposed water plant facilities from the proceeds of this bond issue, the water plant will be capable of serving 1,000 ESFC’s.

Wastewater Treatment

The District leases a 0.10 million gallon per day (“MGD”) wastewater treatment plant from AUC Group which is capable of serving 333 ESFC’s.

Storm Water Drainage

The District drains in several different locations to both Caney Creek No. 2 Tributary No. 2. and Lake Creek Tributary No. 4 through various un-named sub-tributaries. The north-western area of the District (approximately 244 acres) drains to Caney Creek No. 1 and the south-eastern area of the District (approximately 333 acres) drains to Lake Creek. The storm water drainage within the District is collected in roadside ditches and carried to Caney Creek No. 1 and Lake Creek.

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 as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 15 acres within the District lie within the 100-year floodplain; although none of the developed lots lie within the 100-year floodplain.

Lone Star Groundwater Conservation District

The District is included in the boundaries of the Lone Star Groundwater Conservation District (“Lone Star”), a County wide regulatory agency. On October 10, 2017, the Lone Star Groundwater Conservation District board of directors approved new recommendations for future increases in groundwater pumping in the County based upon the results of a three-year scientific study. Lone Star commissioned its “Strategic Water Resources Planning Study” in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the County, and to develop other related information and recommendations for use in the next five-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 (“GMA 14”). As part of the study, Lone Star surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in the County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The board of directors’ decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model “Run D” in the Final Report for Task 3 of the study as the Board’s recommended model scenario. The board of directors also approved a recommendation that Lone Star’s general manager and technical consultants present the results of the study, including the board’s new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five years, with the current five-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four out of the five member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits Lone Star created through the rulemaking authority delegated to it by Texas legislature, a group of large water producers filed suit claiming that the rules Lone Star created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways Texas legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which Lone Star imposed on large groundwater producers, is outside of Lone Star’s authority under the Texas Water Code and is not valid. Under the ruling, Lone Star could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Lone Star board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court’s ruling on October 2, 2018, it is expected that the Lone Star board will consider and adopt new groundwater regulations in the future.

General Fund Operating Statement

The following is a summary of the District's general fund activity for the fiscal years ended March 31, 2020, through March 31, 2023. Such summary has been prepared by the Financial Advisor for inclusion herein based on information obtained from the District's audited financial statements, reference to which is made for further and more complete information. The figures for the period ended December 31, 2023, are unaudited and were obtained from the District's January 12, 2024, bookkeeper's report. See "APPENDIX A - Independent Auditor's Report and Financial Statements of the District."

	Fiscal Year Ended March 31				
	2024 (a)	2023	2022	2021	2020
REVENUES					
Property Taxes	\$ 130,445	\$ 986,733	\$ 980,160	\$ 905,233	\$ 944,715
Water Service	229,802	83,722	57,431	61,526	68,380
Wastewater Service	159,892	131,422	83,816	54,045	40,311
Water Authority Fees	-	64,535	40,061	51,883	47,469
Penalty & Interest	1,430	1,357	1,017	1,390	361
Tap Connection & Inspection Fees	18,467	179,732	142,588	41,915	29,335
Investment & Miscellaneous Revenues	33,289	28,729	8,657	8,243	12,755
Total Revenues	\$ 573,326	\$ 1,476,230	\$ 1,313,730	\$ 1,124,235	\$ 1,143,326
EXPENDITURES					
Professional Fees	\$ 227,190	\$ 283,392	\$ 174,854	\$ 217,506	\$ 109,984
Contracted Services	15,064	79,102	74,456	54,253	30,119
Water Authority Assessments	-	65,876	43,016	43,688	52,564
Repairs and Maintenance	26,455	141,744	160,674	86,999	51,581
Lease Payments	-	210,000	210,000	-	-
Other	569,933	346,705	274,857	137,279	311,299
Capital Outlay	-	310,737	541,508	152,712	-
Total Expenditures	\$ 838,642	\$ 1,437,556	\$ 1,479,365	\$ 692,437	\$ 555,547
Excess (Deficiency) of Revenues Over Expenditures	\$ (265,316)	\$ 38,674	\$ (165,635)	\$ 431,798	\$ 587,779
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	\$ -	\$ -	\$ (17,500)	-	\$ 41,282
Net Change in Fund Balance	\$ (265,316)	\$ 38,674	\$ (183,135)	\$ 431,798	\$ 629,061

(a) Unaudited.

DISTRICT DEBT

General

2023 Assessed Valuation	\$ 292,054,114	(a)
Estimate of Assessed Valuation as of January 1, 2024.....	\$ 351,201,055	(b)
Direct Debt:		
The Outstanding Bonds (as of the Date of Delivery).....	\$ 23,545,000	
The Bonds	<u>\$ 9,285,000</u>	
Total.....	\$ 32,830,000	
Estimated Overlapping Debt	<u>\$ 15,634,817</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 48,464,817	(c)
Direct Debt Ratios:		
As a Percentage of the 2023 Assessed Valuation	11.24	%
As a Percentage of the Estimate of Assessed Valuation as of January 1, 2024.....	9.35	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2023 Assessed Valuation	16.59	%
As a Percentage of the Estimate of Assessed Valuation as of January 1, 2024.....	13.80	%
Utility Debt Service Fund Balance (as of January 12, 2024)	\$ 913,536	(d)
Road Debt Service Fund Balance (as of January 12, 2024).....	\$ 23,354	(e)
Utility Capital Projects Fund Balance (as of January 12, 2024).....	\$ 2,462,013	
Road Capital Projects Fund Balance (as of January 12, 2024).....	\$ 25,212	
Operating Fund Balance (as of January 12, 2024).....	\$ 1,374,005	
2023 Tax Rate:		
Utility Debt Service	\$ 0.720	
Road Debt Service	\$ 0.020	
Maintenance and Operations	<u>\$ 0.360</u>	
Total.....	\$ 1.100	
Average Annual Debt Service Requirement (2024–2048)	\$ 1,968,600	(f)
Maximum Annual Debt Service Requirement (2044).....	\$ 2,214,050	(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the		
Average Annual Debt Service Requirement (2024–2048) at 95% Tax Collections:		
Based on the 2023 Assessed Valuation.....	\$ 0.71	
Based on the Estimate of Assessed Valuation as of January 1, 2024.....	\$ 0.60	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the		
Maximum Annual Debt Service Requirement (2044) at 95% Tax Collections:		
Based on the 2023 Assessed Valuation.....	\$ 0.80	
Based on the Estimate of Assessed Valuation as of January 1, 2024.....	\$ 0.67	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, provided by the Appraisal District (herein defined). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by Appraisal District for informational purposes only. Represents an estimate of the assessed valuation of all taxable property within the District as of January 1, 2024, and includes an estimate of assessed valuation resulting from the construction of taxable improvements from January 1, 2023, through January 1, 2024. No taxes will be levied against such amount unless and until certified by the Appraisal District as part of the District's January 1, 2023, assessed valuation. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility Debt Service Fund. Any funds in the Utility Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Utility System, and for the refunding of such bonds.
 - (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund. Any funds in the Road Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Road System, and for the refunding of such bonds.
 - (f) Represents the debt service requirements on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

Debt Service Requirement Schedule

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

Calendar Year	Outstanding Debt Service	The Bonds		Debt Service	Total Debt Service
		Principal	Interest		
2024	\$ 1,107,563	\$ -	\$ 155,947	\$ 155,947	\$ 1,263,510
2025	1,527,251	225,000	362,200	587,200	2,114,451
2026	1,527,951	235,000	353,200	588,200	2,116,151
2027	1,522,261	245,000	343,800	588,800	2,111,061
2028	1,529,796	255,000	334,000	589,000	2,118,796
2029	1,530,696	265,000	323,800	588,800	2,119,496
2030	1,525,306	280,000	313,200	593,200	2,118,506
2031	1,526,639	290,000	302,000	592,000	2,118,639
2032	1,528,898	305,000	293,300	598,300	2,127,198
2033	1,539,280	315,000	283,388	598,388	2,137,668
2034	1,537,668	330,000	273,150	603,150	2,140,818
2035	1,544,493	345,000	261,600	606,600	2,151,093
2036	1,544,833	360,000	247,800	607,800	2,152,633
2037	1,553,321	380,000	233,400	613,400	2,166,721
2038	1,564,458	395,000	218,200	613,200	2,177,658
2039	1,568,369	410,000	202,400	612,400	2,180,769
2040	1,564,918	430,000	186,000	616,000	2,180,918
2041	1,569,650	450,000	168,800	618,800	2,188,450
2042	1,577,425	470,000	150,800	620,800	2,198,225
2043	1,583,088	490,000	132,000	622,000	2,205,088
2044	1,586,650	515,000	112,400	627,400	2,214,050
2045	943,100	535,000	91,800	626,800	1,569,900
2046	816,700	560,000	70,400	630,400	1,447,100
2047	623,500	585,000	48,000	633,000	1,256,500
2048	-	615,000	24,600	639,600	639,600
Total	\$ 34,443,812	\$ 9,285,000	\$ 5,486,185	\$ 14,771,185	\$ 49,214,997
Average Annual Debt Service Requirement (2024–2048)					\$ 1,968,600
Maximum Annual Debt Service Requirement (2044)					\$ 2,214,050

[Remainder of Page Intentionally Left Blank]

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt December 31, 2023	Overlapping	
		Percent	Amount
Montgomery County	\$ 441,665,000	0.31%	\$ 1,371,733
Magnolia Independent School District	311,140,000	1.85%	5,766,454
Montgomery Independent School District	523,210,000	1.52%	7,949,387
Lone Star College System	579,730,000	0.09%	547,242
Total Estimated Overlapping Debt			\$ 15,634,817
Direct Debt (a)			\$ 32,830,000
Total Direct & Estimated Overlapping (a)			\$ 48,464,817

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt (a):

As a Percentage of the 2023 Assessed Valuation	11.24 %
As a Percentage of the Estimate of Assessed Valuation as of January 1, 2024.....	9.35 %

Ratio of Direct and Estimated Overlapping Debt (a):

As a Percentage of the 2023 Assessed Valuation	16.59 %
As a Percentage of the Estimate of Assessed Valuation as of January 1, 2024.....	13.80 %

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of Payment.” Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Code”), specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable

property values and establishes in each county 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 Montgomery Central Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District has not granted such exemption. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence

homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. 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 District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation

in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 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 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 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 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 Texas (the "Governor"). This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value

was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove took effect January 1, 2024.

Agricultural, Open Space, Timberland and Inventory Deferment

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

District and Taxpayer Remedies

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

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 date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. See “Rollback of Operation and Maintenance Tax Rate” below.

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 are classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

The District

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2023 tax year, the District was classified as a “Developing District” by the Board of Directors. The District cannot give any assurances as to what its

classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." In the Bond Order, the Board covenants to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "INVESTMENT CONSIDERATIONS." For the 2023 tax year, the District levied a total tax rate of \$1.100 per \$100 of assessed valuation comprised of a utility debt service tax rate of \$0.720 per \$100 of assessed valuation, a road debt service tax rate of \$0.020 per \$100 of assessed valuation, and a maintenance and operations tax rate of \$0.360 per \$100 of assessed valuation.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operation General:\$1.50 per \$100 assessed taxable valuation.
Maintenance and Operation Road:\$1.50 per \$100 assessed taxable valuation.
Maintenance and Operation Recreation:\$0.10 per \$100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2023 tax year, the District levied a utility debt service tax rate of \$0.720 per \$100 of assessed valuation and a road debt service tax rate of \$0.020 per \$100 of assessed valuation. Such tax is in addition to taxes that the District is authorized to levy for maintenance and operation purposes. See "TAX DATA – Tax Rate Distribution."

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. At an election held within the District on November 8, 2016, a road maintenance tax rate was approved by voters not to exceed \$1.50 per \$100 of assessed valuation. At an election held within the District on November 8, 2016, a parks and recreation maintenance tax rate was approved by voters not to

exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any parity bonds which may be issued in the future. For the 2023 tax year, the District levied a maintenance and operations tax rate of \$0.360 per \$100 of assessed valuation. Such tax is in addition to taxes that the District is authorized to levy for debt service purposes. See "TAX DATA – Tax Rate Distribution."

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2019–2023 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year	
					Ending 09/30	Collections 12/31/2023
2019	\$ 101,803,156	\$ 1.35	\$ 1,374,343	98.69%	2020	100.00%
2020	135,495,614	1.25	1,693,695	98.76%	2021	100.00%
2021	157,265,215	1.25	1,965,815	99.15%	2022	99.32%
2022	216,929,052	1.20	2,603,149	96.21%	2023	96.72%
2023	292,054,114	1.10	3,212,595	19.91% (a)	2024	19.91% (a)

(a) In process of collections.

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2019–2023 tax years.

	2023	2022	2021	2020	2019
Utility Debt Service	\$ 0.720	\$ 0.730	\$ 0.610	\$ 0.610	\$ 0.420
Road Debt Service	0.020	0.025	-	-	-
Maintenance & Operations	<u>0.360</u>	<u>0.445</u>	<u>0.640</u>	<u>0.640</u>	<u>0.930</u>
Total	\$ 1.100	\$ 1.200	\$ 1.250	\$ 1.250	\$ 1.350

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value as of January 1 for each of the 2019–2023 tax years.

Type of Property	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 110,883,160	\$ 71,896,140	\$ 52,504,220	\$ 45,987,520	\$ 42,631,910
Improvements	178,878,454	144,188,024	102,731,530	86,940,990	58,275,890
Personal Property	2,575,390	1,130,005	2,276,217	2,571,199	956,527
Exemptions	<u>(282,890)</u>	<u>(285,117)</u>	<u>(246,752)</u>	<u>(4,095)</u>	<u>(61,171)</u>
Total	\$ 292,054,114	\$ 216,929,052	\$ 157,265,215	\$ 135,495,614	\$ 101,803,156

Principal Taxpayers

The following represents the principal taxpayers, type of property, and assessed values as of January 1, 2023:

Taxpayer	Type of Property	Assessed Valuation 2023 Tax Roll	Percent of 2023 Assessed Valuation
THE BLUEJACK COMPANY LLC (a)	Land & Improvements	\$ 26,027,740	8.91%
BLUEJACK NATIONAL CLUB HOLDINGS LLC (a)	Land & Improvements	14,672,440	5.02%
HOMEOWNER	Land & Improvements	6,566,470	2.25%
BLUEJACK REAL ESTATE CO LLC (a)	Land & Improvements	5,924,550	2.03%
HOMEOWNER	Land & Improvements	4,860,000	1.66%
MENDOZA HOME BUILDERS (b)	Land	4,473,000	1.53%
HOMEOWNER	Land & Improvements	4,193,300	1.44%
R&J CAPITAL CP 1 LLC	Land & Improvements	3,397,020	1.16%
SILICONE SPECIALTIES INC.	Land & Improvements	3,303,020	1.13%
PG BLUE JACK LLC	Land & Improvements	3,211,770	1.10%
Total		\$ 76,629,310	26.24%

(a) See "PRINCIPAL LANDOWNER AND DEVELOPER."

(b) See "DEVELOPMENT OF THE DISTRICT – Bluejack National."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2023 Assessed Valuation (\$292,054,114) or the estimate of assessed valuation as of January 1, 2024 (\$351,201,055). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2024–2048)	\$ 1,968,600
Tax Rate of \$0.71 on the 2023 Assessed Valuation produces	\$ 1,969,905
Tax Rate of \$0.60 on the Estimate of Assessed Valuation as of January 1, 2024, produces.....	\$ 2,001,846
Maximum Annual Debt Service Requirement (2044).....	\$ 2,214,050
Tax Rate of \$0.80 on the 2023 Assessed Valuation produces	\$ 2,219,611
Tax Rate of \$0.67 on the Estimate of Assessed Valuation as of January 1, 2024, produces.....	\$ 2,235,395

[Remainder of Page Intentionally Left Blank]

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all 2023 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate</u>
Montgomery County	\$ 0.369600
Montgomery County Hospital District	0.049800
Montgomery County Emergency Service District No. 2	0.100000
Lone Star College System District	0.107600
Magnolia Independent School District (a)	0.963800
The District	<u>1.100000</u>
Total	\$ 2.690800

(a) A portion of the District is within the boundaries of Montgomery Independent School District, which levied a 2023 tax rate of \$1.048700 per \$100 of assessed valuation. For the acreage within Montgomery Independent School District, the total 2023 tax rate is \$2.775700 per \$100 of assessed valuation.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of Texas; the County; or any entity other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The District is situated in the Houston metropolitan area and the rate of development of the District is directly related to the vitality of the residential housing industry, including the second home market, in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand.

A substantial portion of the taxable values of the District is derived from the current market value of certain developed lots and undeveloped tracts. The market value of such lots and tracts is related to general economic conditions affecting the demand for single-family second homes and condominiums. Demand for lots and tracts of this type and the construction of single-family second homes and condominiums thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such

lots and tracts is directed. Decreased levels of construction activity or reduced resale value of such lots and tracts would tend to restrict the growth of property values in the District and could adversely impact such values.

Future development and construction in the District is highly dependent on the availability of financing. Many lenders have become more selective in making real estate loans in the Houston area. Because of numerous changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds to potential builders and home purchasers.

The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowner/Developer: There is no commitment by, or legal requirement of, the principal landowners, the Developer, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER AND DEVELOPER," and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2023, the District's principal taxpayers owned property located within the District the aggregate assessed taxable valuation of which comprised approximately 26.24% of the District's total assessed valuation. The Developer, the District's top taxpayer, and related entities own approximately 15.96% of the District's assessed taxable valuation as of January 1, 2023. See "PRINCIPAL LANDOWNER AND DEVELOPER."

In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed taxable valuation as of January 1, 2023, of all taxable property located within the District is \$292,054,114 and the estimate of assessed valuation as of January 1, 2024, of all taxable property located within the District is \$351,201,055. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2044) will be \$2,214,050 and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2024–2048) will be \$1,968,600. Assuming no decrease to the District's assessed taxable valuation as of January 1, 2023, of all taxable property located within the District, tax rates of \$0.80 and \$0.71 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no decrease from the District's estimate of assessed valuation as of January 1, 2024, of all taxable property located within the District, tax rates of \$0.67 and \$0.60 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively.

The District can make no representation that the taxable values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by

property owners. For the 2023 tax year, the District levied a total tax rate of \$1.100 per \$100 of assessed valuation comprised of a utility debt service tax rate of \$0.720 per \$100 of assessed valuation, a road debt service tax rate of \$0.020 per \$100 of assessed valuation, and a maintenance and operations tax rate of \$0.360 per \$100 of assessed valuation.

Competitive Nature of Residential Housing Market

The housing industry in the Houston metropolitan area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Risks Associated with Second Home Market

A substantial percentage of the taxable assessed value of the property in the District results from the current market value of single-family residences and developed lots which may be second homes or vacation homes. The market for such homes is historically more volatile and more dependent on economic factors than the market for primary residences.

Tax Collection and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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 proceedings 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. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

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 "TAX DATA - Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a 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.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds ("Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial

foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for 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. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Utility System. At an election held within the District on November 8, 2016, voters of the District authorized the District's issuance of \$168,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the purpose of refunding such bonds; \$70,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds; and \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the purpose of refunding such bonds.

Following the issuance of the Bonds, \$134,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the purpose of refunding such bonds; \$69,110,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds; and \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the purpose of refunding such bonds will remain authorized but unissued. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining \$134,550,000 principal amount of unlimited tax bonds authorized for the purpose of acquiring or constructing the Utility System and \$19,000,000 principal amount of unlimited tax bonds authorized for the purpose of acquiring or constructing parks and recreational facilities to serve the District are subject to approval by the TCEQ.

Following the reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately \$50,000 for its expenditures to construct the Utility System and approximately \$438,000 for its expenditures to construct parks and recreational facilities pursuant to a reimbursement agreement between the District and the Developer. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, 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.

Hurricane Harvey

The Houston area, including the County, sustained widespread rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days.

According to the Engineer, the District’s water, sanitary sewer, and drainage facilities sustained no damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. Furthermore, according to the Engineer, there were no homes in the District that experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

Severe Weather; Potential Impact of Natural Disaster

The Texas Gulf Coast area, including the County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The Texas Gulf Coast area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, as described above under "Hurricane Harvey."

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

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

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C., also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"),

(1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of 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, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount Bonds

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

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or

other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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 Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

NOT Qualified Tax-Exempt Obligations

The District has NOT designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (excluding the subsection titled "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A – Independent Auditor's Report and Financial Statements of the District." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

The District's fiscal year end is currently March 31. Accordingly, it must provide updated information by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument

entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or the Developer, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertaking

The District is not aware of any other failure to comply, in the last five years, with any other continuing disclosure agreements made by them in accordance with the Rule, except as follows: notice of an event was filed by the District on July 2, 2020, that on May 18, 2020, the Developer at that time, an obligated party of the District owning more than 20% of the taxable property within the boundaries of the District, due to the COVID-19 pandemic, entered into a forbearance agreement with Hill Top allowing payment-in-kind for a three (3) month period (while interest compounds) and three (3) additional one (1) month periods (while interest compounds), if elected by the Developer. The Developer was obligated to notify the District of such an event within five business days of obtaining actual knowledge of its occurrence pursuant to an agreement dated April 26, 2019. The Developer, including related entities, no longer owns more than 20% of the taxable property within the boundaries of the District and, therefore, is no longer obligated to notify the District of such events. The District has established procedures to ensure future disclosures are prepared and submitted in a timely manner. A review of the District’s disclosure undertakings and filings history is available at www.emma.msrb.org.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended March 31, 2023, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX A – Independent Auditor's Report and Financial Statements of the District." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Preliminary Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," and "THE UTILITY SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating of Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official

Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District’s records, audited financial statements, and other sources that are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Blaketree Municipal Utility District No. 1 of Montgomery County as of the date shown on the cover of this Official Statement.

/s/ Tammy Pizzitola
President, Board of Directors
Blaketree Municipal Utility District No. 1 of Montgomery County

ATTEST:

/s/ Lorie Varnas
Secretary, Board of Directors
Blaketree Municipal Utility District No. 1 of Montgomery County

APPENDIX A

Independent Auditor's Report and Financial Statements of the District

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2023

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	31
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	33-35
GENERAL FUND EXPENDITURES	36
INVESTMENTS	37
TAXES LEVIED AND RECEIVABLE	38-39
LONG-TERM DEBT SERVICE REQUIREMENTS	40-45
CHANGES IN LONG TERM BOND DEBT	46-47
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	48-51
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	52-53

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blaketree Municipal Utility District No. 1
of Montgomery County
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Blaketree Municipal Utility District No. 1 of Montgomery County (the "District") as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, the District adopted the new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases, during the current fiscal year. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Blaketree Municipal Utility District No. 1 of Montgomery County

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 14, 2023

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

Management’s discussion and analysis of the financial performance of Blaketree Municipal Utility District No. 1 of Montgomery County (the “District”) provides an overview of the District’s financial activities for the year ended March 31, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for service revenues, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for serving bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the current period. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$3,431,028 as of March 31, 2023. A portion of the District’s net position reflects its net investment in capital assets which include water, wastewater and drainage facilities and roads less any debt used to acquire those assets that is still outstanding.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position. The prior year amounts have been adjusted to account for lease activity as more fully discussed in Note 12.

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 7,601,172	\$ 3,541,309	\$ 4,059,863
Right-of-Use Asset (Net of Amortization)	723,911	1,084,381	(360,470)
Capital Assets (Net of Depreciation)	<u>19,073,313</u>	<u>17,842,383</u>	<u>1,230,930</u>
Total Assets	<u>\$ 27,398,396</u>	<u>\$ 22,468,073</u>	<u>\$ 4,930,323</u>
Due to Developer	\$ 5,279,691	\$ 7,254,824	\$ 1,975,133
Lease Payable	915,004	1,084,381	169,377
Bonds Payable	24,441,635	16,472,412	(7,969,223)
Other Liabilities	<u>193,094</u>	<u>137,425</u>	<u>(55,669)</u>
Total Liabilities	<u>\$ 30,829,424</u>	<u>\$ 24,949,042</u>	<u>\$ (5,880,382)</u>
Net Position:			
Net Investment in Capital Assets	\$ (7,490,399)	\$ (5,859,028)	\$ (1,631,371)
Restricted	2,073,829	1,410,390	663,439
Unrestricted	<u>1,985,542</u>	<u>1,967,669</u>	<u>17,873</u>
Total Net Position	<u>\$ (3,431,028)</u>	<u>\$ (2,480,969)</u>	<u>\$ (950,059)</u>

The District's operations for the years ended March 31, 2023, and 2022, are summarized below:

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,605,176	\$ 1,962,847	\$ 642,329
Charges for Services	504,857	364,982	139,875
Other Revenues	<u>46,970</u>	<u>9,756</u>	<u>37,214</u>
Total Revenues	<u>\$ 3,157,003</u>	<u>\$ 2,337,585</u>	<u>\$ 819,418</u>
Expenses for Services	<u>4,107,062</u>	<u>2,954,236</u>	<u>(1,152,826)</u>
Change in Net Position	\$ (950,059)	\$ (616,651)	\$ (333,408)
Net Position, Beginning of Year	<u>(2,480,969)</u>	<u>(1,864,318)</u>	<u>(616,651)</u>
Net Position, End of Year	<u>\$ (3,431,028)</u>	<u>\$ (2,480,969)</u>	<u>\$ (950,059)</u>

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2023, were \$7,192,181, an increase of \$4,000,171 from the prior year.

The General Fund fund balance increased by \$38,674 from the prior year primarily due to property tax revenues and service revenues exceeding operating and administrative costs.

The Debt Service Fund fund balance increased by \$638,615 from the prior year primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance increased by \$3,322,882 from the prior year primarily due to unspent Series 2023 bond proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$254,130 more than budgeted revenues and actual expenditures were \$496,706 more than budgeted expenditures which resulted in a negative variance of \$242,576. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2023, total \$19,073,313 (net of accumulated depreciation) and include roads and the water, wastewater and drainage systems. The District used bond proceeds to fund the acquisition of District infrastructure as described in Note 13.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 89,911	\$ 89,911	\$
Capital Assets Subject to Depreciation:			
Water System	5,708,410	5,178,841	529,569
Wastewater System	6,267,551	5,664,948	602,603
Drainage System	4,082,821	3,455,751	627,070
Roads	5,578,078	5,578,078	
Less Accumulated Depreciation	(2,653,458)	(2,125,146)	(528,312)
Total Net Capital Assets	\$ 19,073,313	\$ 17,842,383	\$ 1,230,930

The District's lease agreement with AUC includes wastewater treatment facilities which are recorded as right-of-use assets in the government-wide financial statements in accordance with GASB Statement No. 87. See Note 12 for further disclosure.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

LONG-TERM DEBT ACTIVITY

As of March 31, 2023, the District had total bond debt payable of \$24,330,000. The changes in the debt position of the District during the fiscal year ended March 31, 2023, are as follows:

Bond Debt Payable, April 1, 2022	\$ 16,535,000
Add: Bond Sale	8,260,000
Less: Bond Principal Paid	<u>465,000</u>
Bond Debt Payable, March 31, 2023	<u>\$ 24,330,000</u>

The District’s Series 2019 Bonds, Series 2020 Bonds, Series 2021 Bonds and Series 2021 Road Bonds do not carry underlying nor insured ratings. The Series 2023 Bonds carry an insured rating of “AA” from Standard and Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

The District leases certain wastewater treatment facilities from AUC. The liability for this lease is recorded in the government-wide financial statements in accordance with GASB Statement No. 87. See Note 12 for further disclosure.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blaketree Municipal Utility District No. 1 of Montgomery County, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2023**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,131,726	\$ 1,341,658
Investments	800,000	650,000
Receivables:		
Property Taxes	109,287	179,079
Service Accounts	16,306	
Accrued Interest	3,536	2,873
Other	500	
Due from Other Funds	25,985	
Prepaid Costs	17,500	
Right-of-Use Assets (Net of Accumulated Amortization)		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,104,840	\$ 2,173,610

The accompanying notes to the financial statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,348,707	\$ 5,822,091	\$	\$ 5,822,091
	1,450,000		1,450,000
	288,366		288,366
	16,306		16,306
	6,409		6,409
	500		500
	25,985	(25,985)	
	17,500		17,500
		723,911	723,911
		89,911	89,911
		<u>18,983,402</u>	<u>18,983,402</u>
<u>\$ 3,348,707</u>	<u>\$ 7,627,157</u>	<u>\$ 19,771,239</u>	<u>\$ 27,398,396</u>

The accompanying notes to the financial
statements are an integral part of this report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2023**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 92,898	\$ 1,327
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		25,985
Security Deposits	26,400	
Long-Term Liabilities:		
Lease Payable, Due Within One Year		
Lease Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 119,298	\$ 27,312
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 109,287	\$ 179,079
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 17,500	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,967,219
Unassigned	1,858,755	
TOTAL FUND BALANCES	\$ 1,876,255	\$ 1,967,219
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,104,840	\$ 2,173,610
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 94,225	\$	\$ 94,225
		72,469	72,469
		5,279,691	5,279,691
	25,985	(25,985)	
	26,400		26,400
		184,348	184,348
		730,656	730,656
		785,000	785,000
		23,656,635	23,656,635
<u>\$ -0-</u>	<u>\$ 146,610</u>	<u>\$ 30,682,814</u>	<u>\$ 30,829,424</u>
<u>\$ -0-</u>	<u>\$ 288,366</u>	<u>\$ (288,366)</u>	<u>\$ -0-</u>
\$	\$ 17,500	\$ (17,500)	\$
3,348,707	3,348,707	(3,348,707)	
	1,967,219	(1,967,219)	
	1,858,755	(1,858,755)	
<u>\$ 3,348,707</u>	<u>\$ 7,192,181</u>	<u>\$ (7,192,181)</u>	<u>\$ -0-</u>
<u>\$ 3,348,707</u>	<u>\$ 7,627,157</u>		
		\$ (7,490,399)	\$ (7,490,399)
		2,073,829	2,073,829
		1,985,542	1,985,542
		<u>\$ (3,431,028)</u>	<u>\$ (3,431,028)</u>

The accompanying notes to the financial statements are an integral part of this report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2023**

Total Fund Balances - Governmental Funds	\$ 7,192,181
--	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	19,797,224
---	------------

Deferred inflows of resources related to property tax revenues for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.	288,366
--	---------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (5,279,691)	
Accrued Interest Payable	(72,469)	
Lease Payable	(915,004)	
Bonds Payable	<u>(24,441,635)</u>	<u>(30,708,799)</u>

Total Net Position - Governmental Activities	\$ <u>(3,431,028)</u>
--	-----------------------

The accompanying notes to the financial statements are an integral part of this report.

THIS PAGE INTENTIONALLY LEFT BLANK

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2023**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 986,733	\$ 1,584,155
Water Service	83,722	
Wastewater Service	131,422	
Water Authority Fees	64,535	
Penalty and Interest	1,357	44,089
Tap Connection and Inspection Fees	179,732	
Investment and Miscellaneous Revenues	28,729	18,241
TOTAL REVENUES	\$ 1,476,230	\$ 1,646,485
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 283,392	\$ 8,546
Contracted Services	79,102	29,396
Water Authority Assessments	65,876	
Repairs and Maintenance	141,744	
Depreciation		
Amortization		
Other	346,705	4,214
Capital Outlay	310,737	
Developer Interest		
Debt Service:		
Lease Principal	169,377	
Lease Interest	40,623	
Bond Principal		465,000
Bond Interest		500,714
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 1,437,556	\$ 1,007,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 38,674	\$ 638,615
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 38,674	\$ 638,615
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2022	1,837,581	1,328,604
FUND BALANCES/NET POSITION - MARCH 31, 2023	\$ 1,876,255	\$ 1,967,219

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,570,888	\$ 34,288	\$ 2,605,176
	83,722		83,722
	131,422		131,422
	64,535		64,535
	45,446		45,446
	179,732		179,732
	46,970		46,970
<u>\$ - 0 -</u>	<u>\$ 3,122,715</u>	<u>\$ 34,288</u>	<u>\$ 3,157,003</u>
\$	\$ 291,938	\$	\$ 291,938
	108,498		108,498
	65,876		65,876
145,537	287,281		287,281
		528,312	528,312
		360,470	360,470
660	351,579		351,579
3,423,636	3,734,373	(3,734,373)	
634,814	634,814		634,814
	169,377	(169,377)	
	40,623		40,623
	465,000	(465,000)	
	500,714	32,095	532,809
904,862	904,862		904,862
<u>\$ 5,109,509</u>	<u>\$ 7,554,935</u>	<u>\$ (3,447,873)</u>	<u>\$ 4,107,062</u>
<u>\$ (5,109,509)</u>	<u>\$ (4,432,220)</u>	<u>\$ 3,482,161</u>	<u>\$ (950,059)</u>
\$ 8,260,000	\$ 8,260,000	\$ (8,260,000)	\$
(77,370)	(77,370)	77,370	
249,761	249,761	(249,761)	
<u>\$ 8,432,391</u>	<u>\$ 8,432,391</u>	<u>\$ (8,432,391)</u>	<u>\$ -0-</u>
\$ 3,322,882	\$ 4,000,171	\$ (4,000,171)	\$
		(950,059)	(950,059)
25,825	3,192,010	(5,672,979)	(2,480,969)
<u>\$ 3,348,707</u>	<u>\$ 7,192,181</u>	<u>\$ (10,623,209)</u>	<u>\$ (3,431,028)</u>

The accompanying notes to the financial statements are an integral part of this report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 4,000,171
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	34,288
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated, right-of-use assets are amortized and depreciation/amortization expense is recorded in the Statement of Activities.	(888,782)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	3,734,373
Governmental funds report bond premiums and discounts as other financing sources or uses in the year received or paid. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(172,391)
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(32,095)
Governmental funds report bond principal and lease principal payments as expenditures. However, in the Statement of Net Position, bond principal and lease principal payments decrease long-term liabilities.	634,377
Governmental funds report bond proceeds as other financing sources while the sale of bonds increases long-term liabilities in the Statement of Net Position.	<u>(8,260,000)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (950,059)</u></u>

The accompanying notes to the financial statements are an integral part of this report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 1. CREATION OF DISTRICT

Blaketree Municipal Utility District No. 1 of Montgomery County, Texas (the “District”) was created by Senate Bill 1979, 81st Texas Legislature, Regular Session, codified at Chapter 8316, Texas Special District Local Laws Code and by a confirmation election held within the District on November 3, 2009. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on July 17, 2009.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for customer service revenues, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within sixty days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Debt Service Fund owes the General Fund \$25,985 for maintenance tax collections.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding the changes in bonds payable for the year ended March 31, 2023:

	April 1, 2022	Additions	Retirements	March 31, 2023
Bonds Payable	\$ 16,535,000	\$ 8,260,000	\$ 465,000	\$ 24,330,000
Unamortized Discounts	(62,588)	(77,370)	(3,086)	(136,872)
Unamortized Premiums		249,761	1,254	248,507
Bonds Payable, net	<u>\$ 16,472,412</u>	<u>\$ 8,432,391</u>	<u>\$ 463,168</u>	<u>\$ 24,441,635</u>
			Amount Due Within One Year	\$ 785,000
			Amount Due After One Year	<u>23,656,635</u>
			Total Bonds Payable, net	<u>\$ 24,441,635</u>

Bonds outstanding at year end consist of the following:

	Series 2019 Utility	Series 2020 Utility	Series 2021 Utility
Amount Outstanding - March 31, 2023	\$ 8,905,000	\$ 1,825,000	\$ 4,450,000
Interest Rates	3.00% - 3.75%	2.00% - 3.50%	1.25% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2044	September 1, 2023/2045	September 1, 2023/2046
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2025*	September 1, 2026*

* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2019 term bonds due September 1, 2044, are subject to mandatory redemption beginning September 1, 2041. Series 2020 term bonds due September 1, 2045, are subject to mandatory redemption beginning September 1, 2042, Series 2021 term bonds due September 1, 2029, 2034, 2037, 2039, 2041, and 2046, are subject to mandatory redemption beginning September 1, 2027, 2033, 2036, 2038, 2040, and 2042, respectively.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2021 Road	Series 2023 Utility
Amount Outstanding - March 31, 2023	\$ 890,000	\$ 8,260,000
Interest Rates	1.10% - 3.00%	4.00% - 6.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2047	September 1, 2023/2047
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	February 1, 2030*

* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2021 Road term bonds due September 1, 2040, 2043, and 2047, are subject to mandatory redemption beginning September 1, 2038, 2041, and 2044, respectively. Series 2023 term bonds due September 1, 2039, 2041, 2043, 2045 and 2047, are subject to mandatory redemption beginning September 1, 2038, 2040, 2042, 2044 and 2046, respectively.

As of March 31, 2023, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 785,000	\$ 867,989	\$ 1,652,989
2025	690,000	823,689	1,513,689
2026	715,000	800,101	1,515,101
2027	740,000	775,106	1,515,106
2028	760,000	748,529	1,508,529
2029-2033	4,260,000	3,308,578	7,568,578
2034-2038	5,105,000	2,527,186	7,632,186
2039-2043	6,205,000	1,526,633	7,731,633
2044-2048	5,070,000	388,995	5,458,995
	<u>\$ 24,330,000</u>	<u>\$ 11,766,806</u>	<u>\$ 36,096,806</u>

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

The District has remaining bond authorization of \$143,835,000 for water, sewer and drainage purposes and facilities and organization and administration; \$19,000,000 for park and recreational facilities; and \$69,110,000 for paved roads and turnpikes. The district also has authorization to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds authorized by District voters. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District without limitation as to rate or amount.

During the year ended March 31, 2023, the District levied a combined ad valorem debt service tax rate (roads and utilities) of \$0.755 per \$100 of assessed valuation, which resulted in a tax levy of \$1,639,775 on the adjusted taxable valuation of \$217,188,792 for the 2022 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$7,272,091 and the bank balance was \$7,290,909. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2023, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 1,131,726	\$ 800,000	\$ 1,931,726
DEBT SERVICE FUND	1,341,658	650,000	1,991,658
CAPITAL PROJECTS FUND	3,348,707		3,348,707
TOTAL DEPOSITS	<u>\$ 5,822,091</u>	<u>\$ 1,450,000</u>	<u>\$ 7,272,091</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

Certificates of deposit are recorded at acquisition cost.

As of March 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Certificate of Deposit	\$ 800,000	\$ 800,000
<u>DEBT SERVICE FUND</u>		
Certificate of Deposit	650,000	650,000
TOTAL INVESTMENTS	\$ 1,450,000	\$ 1,450,000

Credit risk is the risk that issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances secured by a combination of letters of credit, pledged securities and the FDIC.

Interest rate risk is the risk that manages interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year March 31, 2023, is summarized in the following table:

	April 1, 2022	Increases	Decreases	March 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 89,911	\$ - 0 -	\$ - 0 -	\$ 89,911
Capital Assets Subject to Depreciation				
Water System	\$ 5,178,841	\$ 529,569	\$	\$ 5,708,410
Wastewater System	5,664,948	602,603		6,267,551
Drainage System	3,455,751	627,070		4,082,821
Roads	5,578,078			5,578,078
Total Capital Assets Subject to Depreciation	<u>\$ 19,877,618</u>	<u>\$ 1,759,242</u>	<u>\$ - 0 -</u>	<u>\$ 21,636,860</u>
Accumulated Depreciation				
Water System	\$ 394,704	\$ 141,168	\$	\$ 535,872
Wastewater System	528,703	158,523		687,226
Drainage System	420,490	104,664		525,154
Roads	781,249	123,957		905,206
Total Accumulated Depreciation	<u>\$ 2,125,146</u>	<u>\$ 528,312</u>	<u>\$ - 0 -</u>	<u>\$ 2,653,458</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,752,472</u>	<u>\$ 1,230,930</u>	<u>\$ - 0 -</u>	<u>\$ 18,983,402</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,842,383</u>	<u>\$ 1,752,707</u>	<u>\$ 521,777</u>	<u>\$ 19,073,313</u>

NOTE 7. MAINTENANCE TAX

On November 3, 2009, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended March 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.445 per \$100 of assessed valuation, which resulted in a tax levy of \$966,490 on the adjusted taxable valuation of \$217,188,792 for the 2022 tax year.

On November 3, 2009, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation to be used for constructing and maintaining park and recreational facilities and on November 8, 2016, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$1.50 per \$100 of assessed valuation to be used for constructing and maintaining the District's roads.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 8. UNREIMBURSED DEVELOPER COSTS

The District has executed a financing agreement with the Developer which calls for the Developer to fund costs associated with the construction of water, sewer, and drainage facilities as well as roads and operating advances during the startup period. Reimbursement to the Developer will come from future bond sales. The following table summarizes the current year activity related to unreimbursed developer costs for completed projects and operating advances:

Due to Developer, beginning of year	\$ 7,254,824
Additions	1,904,777
Reimbursements	<u>(3,879,910)</u>
Due to Developer, end of year	<u>\$ 5,279,691</u>

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”). The Conservation District’s purposes include the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District charges fees to the owners of wells located within the boundaries of the Conservation District, unless exempted.

NOTE 11. SAN JACINTO RIVER AUTHORITY

The District is located within the boundaries of the San Jacinto River Authority (the “Authority”). The Authority must comply with the groundwater reduction requirements imposed by the Conservation District, as described in Note 10. The Authority charges a fee, currently \$2.99 per 1,000 gallons of groundwater pumped from its wells, which enables the Authority to maintain compliance with the rules of the Conservation District and the Groundwater Reduction Plan. The District recorded \$65,876 of fees during the current fiscal year.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 12. WASTEWATER TREATMENT PLANT LEASE

In a prior year, the District executed a Lease Agreement with AUC Group to lease a wastewater treatment plant. The lease is for a term of 60 months and may be extended on a month-to-month basis. The lease liability was measured using the remaining lease term and discount rate (8.50%) as of the beginning of the current period and the right-of-use asset was measured based on the lease liability at that date which resulted in no restatement of the beginning net position since both amounts were the same (\$1,084,381). The District made monthly lease payments of \$17,500 during the current fiscal year totaling \$210,000, of which \$169,377 applied to principal and \$40,623 applied to interest. Current year activity for leased assets is summarized below:

	April 1, 2022	Increases	Decreases	March 31, 2023
Right-of-use Asset Subject to Amortization				
Wastewater Treatment Plant	\$ 1,084,381	\$ - 0 -	\$ - 0 -	\$ 1,084,381
Less Accumulated Amortization				
Wastewater Treatment Plant	\$ - 0 -	\$ 360,470	\$ - 0 -	\$ 360,470
Right-of-use Asset Net of Accumulated Amortization	<u>\$ 1,084,381</u>	<u>\$ (360,470)</u>	<u>\$ - 0 -</u>	<u>\$ 723,911</u>

The changes in lease liability and future lease payments are summarized below:

Lease Payable, April 1, 2022	\$ 1,084,381
Less: Lease Principal Paid	<u>169,377</u>
Lease Payable, March 31, 2023	<u>\$ 915,004</u>

Fiscal Year	Principal	Interest	Total
2024	\$ 184,348	\$ 25,652	\$ 210,000
2025	<u>730,656</u>	<u>9,358</u>	<u>740,014</u>
	<u>\$ 915,004</u>	<u>\$ 35,010</u>	<u>\$ 950,014</u>

NOTE 13. BOND SALE

On February 14, 2023, the District issued its \$8,260,000 Unlimited Tax Bonds, Series 2023. Bond proceeds were used to reimburse the Developer for construction, engineering and testing for water, wastewater, drainage and paving costs to serve the following: Bluejack National, Phases 1A and 1B; Bluejack National, Fort Villas; Bluejack National, The Retreats; Bluejack National, Cottage DA and DB; and Bluejack National, Cottage and Member suites. Proceeds were also used to fund District items of water well no. 2 and lift station D construction and engineering costs, as well as bond issuance costs and Developer interest.

THIS PAGE INTENTIONALLY LEFT BLANK

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2023

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 928,600	\$ 986,733	\$ 58,133
Water Service	70,000	83,722	13,722
Wastewater Service	82,000	131,422	49,422
Water Authority Fees	55,000	64,535	9,535
Tap Connection and Inspection Fees	66,000	179,732	113,732
Investment and Miscellaneous Revenues	<u>20,500</u>	<u>30,086</u>	<u>9,586</u>
TOTAL REVENUES	<u>\$ 1,222,100</u>	<u>\$ 1,476,230</u>	<u>\$ 254,130</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 250,750	\$ 283,392	\$ (32,642)
Contracted Services	74,400	79,102	(4,702)
Water Authority Assessments	47,000	65,876	(18,876)
Repairs and Maintenance	118,000	141,744	(23,744)
Other	240,700	346,705	(106,005)
Capital Outlay		310,737	(310,737)
Debt Service:			
Principal	169,377	169,377	
Interest	<u>40,623</u>	<u>40,623</u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 940,850</u>	<u>\$ 1,437,556</u>	<u>\$ (496,706)</u>
NET CHANGE IN FUND BALANCE	\$ 281,250	\$ 38,674	\$ (242,576)
FUND BALANCE - APRIL 1, 2022	<u>1,837,581</u>	<u>1,837,581</u>	<u> </u>
FUND BALANCE - MARCH 31, 2023	<u>\$ 2,118,831</u>	<u>\$ 1,876,255</u>	<u>\$ (242,576)</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

MARCH 31, 2023

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water		Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		Security
<u> X </u>	Solid Waste/Garbage		Flood Control	<u> X </u>	Roads
	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

The following rates are based on the rate order effective August 12, 2022.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 15.00	5,000	N	\$ 2.00 \$ 2.50 \$ 3.50 \$ 4.50	5,001 to 20,000 20,001 to 30,000 30,001 to 40,000 40,001 and above
WASTEWATER:	\$ 50.43	5,000	N	\$ 1.75 \$ 2.00 \$ 2.25 \$ 3.00	5,001 to 20,000 20,001 to 30,000 30,001 to 40,000 40,001 and above
SURCHARGE:					
Lone Star GCD Fees	\$0.094 per 1,000 gallons				
SJRA Fees	\$3.29 per 1,000 gallons				

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$25.00 Wastewater: \$59.18 Surcharge: \$33.84

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	163	162	x 1.0	162
1"	16	16	x 2.5	40
1½"			x 5.0	
2"	11	11	x 8.0	88
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>190</u>	<u>189</u>		<u>290</u>
Total Wastewater Connections	<u>179</u>	<u>178</u>	x 1.0	<u>178</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (UNAUDITED)

Gallons pumped into system:	22,206,000	Water Accountability Ratio: 91.5%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	20,309,000	

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a City's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 17,000
Engineering	209,931
Legal	<u>56,461</u>
TOTAL PROFESSIONAL FEES	<u>\$ 283,392</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,237
Operations and Billing	37,207
Solid Waste Disposal	<u>28,658</u>
TOTAL CONTRACTED SERVICES	<u>\$ 79,102</u>
UTILITIES	<u>\$ 63,918</u>
REPAIRS AND MAINTENANCE	<u>\$ 141,744</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 8,235
Insurance	22,195
Travel and Meetings	1,411
Other	<u>968</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 32,809</u>
CAPITAL OUTLAY	<u>\$ 310,737</u>
OTHER EXPENDITURES:	
Lab Fees	\$ 26,372
Permit Fees	16,032
Chemicals	12,135
Connection, Inspection and Reconnection Fees	146,888
Water Authority Assessments	65,876
TCEQ Regulatory Assessment	973
Sludge Hauling	<u>47,578</u>
TOTAL OTHER EXPENDITURES	<u>\$ 315,854</u>
DEBT SERVICE:	
Lease Principal	169,377
Lease Interest	<u>40,623</u>
TOTAL DEBT SERVICE	<u>\$ 210,000</u>
TOTAL EXPENDITURES	<u>\$ 1,437,556</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
INVESTMENTS
MARCH 31, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX1002	4.36%	08/22/23	\$ 800,000	\$ 3,536
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1003	4.36%	08/22/23	\$ 650,000	\$ 2,873
TOTAL - ALL FUNDS				<u>\$ 1,450,000</u>	<u>\$ 6,409</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2022	\$	130,088	\$	123,990
Adjustments to Beginning				
Balance		<u>(558)</u>	\$	<u>123,459</u>
		\$	129,530	
Original 2022 Tax Levy	\$	951,421	\$	1,614,208
Adjustment to 2022 Tax Levy		<u>15,069</u>	<u>966,490</u>	<u>25,567</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,096,020	\$
				1,763,234
TAX COLLECTIONS:				
Prior Years	\$	121,002	\$	115,331
Current Year		<u>865,731</u>	<u>986,733</u>	<u>1,468,824</u>
				<u>1,584,155</u>
TAXES RECEIVABLE -				
MARCH 31, 2023		<u>\$</u>	<u>109,287</u>	<u>\$</u>
				<u>179,079</u>
TAXES RECEIVABLE BY				
YEAR:				
2022	\$	100,759	\$	170,951
2021		<u>8,528</u>		<u>8,128</u>
TOTAL	\$	<u>109,287</u>	\$	<u>179,079</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023**

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 71,865,240	\$ 53,655,700	\$ 47,135,630	\$ 43,784,060
Improvements	144,447,764	103,855,260	89,454,260	58,678,190
Personal Property	1,160,905	2,161,586	2,180,710	956,527
Exemptions	(285,117)	(2,320,222)	(2,942,426)	(1,615,261)
TOTAL PROPERTY VALUATIONS	\$ 217,188,792	\$ 157,352,324	\$ 135,828,174	\$ 101,803,516
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.755	\$ 0.61	\$ 0.61	\$ 0.42
Maintenance	0.445	0.64	0.64	0.93
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.200	\$ 1.25	\$ 1.25	\$ 1.35
ADJUSTED TAX LEVY*	\$ 2,606,265	\$ 1,966,904	\$ 1,697,852	\$ 1,374,348
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	89.57 %	99.15 %	100.00 %	100.00 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 3, 2009.

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023**

SERIES - 2019 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 240,000	\$ 305,056	\$ 545,056
2025	250,000	297,706	547,706
2026	260,000	290,056	550,056
2027	275,000	282,031	557,031
2028	285,000	273,631	558,631
2029	300,000	264,856	564,856
2030	315,000	255,631	570,631
2031	330,000	245,750	575,750
2032	345,000	234,988	579,988
2033	360,000	223,306	583,306
2034	380,000	210,819	590,819
2035	395,000	197,494	592,494
2036	415,000	183,319	598,319
2037	435,000	168,444	603,444
2038	455,000	152,584	607,584
2039	480,000	135,638	615,638
2040	500,000	117,563	617,563
2041	525,000	98,344	623,344
2042	550,000	78,188	628,188
2043	575,000	57,091	632,091
2044	605,000	34,969	639,969
2045	630,000	11,813	641,813
2046			
2047			
2048			
	<u>\$ 8,905,000</u>	<u>\$ 4,119,277</u>	<u>\$ 13,024,277</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023**

SERIES - 2020 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 50,000	\$ 55,083	\$ 105,083
2025	50,000	54,058	104,058
2026	55,000	52,928	107,928
2027	55,000	51,690	106,690
2028	60,000	50,338	110,338
2029	60,000	48,868	108,868
2030	65,000	47,273	112,273
2031	65,000	45,550	110,550
2032	70,000	43,693	113,693
2033	70,000	41,698	111,698
2034	75,000	39,558	114,558
2035	75,000	37,308	112,308
2036	80,000	34,983	114,983
2037	80,000	32,543	112,543
2038	85,000	29,943	114,943
2039	90,000	27,098	117,098
2040	95,000	24,021	119,021
2041	95,000	20,815	115,815
2042	100,000	17,475	117,475
2043	105,000	13,913	118,913
2044	110,000	10,150	120,150
2045	115,000	6,213	121,213
2046	120,000	2,100	122,100
2047			
2048			
	<u>\$ 1,825,000</u>	<u>\$ 787,299</u>	<u>\$ 2,612,299</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023**

SERIES - 2021 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 185,000	\$ 106,259	\$ 291,259
2025	185,000	103,252	288,252
2026	185,000	100,801	285,801
2027	185,000	98,119	283,119
2028	185,000	94,881	279,881
2029	185,000	91,181	276,181
2030	185,000	87,481	272,481
2031	185,000	83,781	268,781
2032	185,000	79,966	264,966
2033	185,000	75,919	260,919
2034	185,000	71,525	256,525
2035	185,000	66,900	251,900
2036	185,000	62,275	247,275
2037	185,000	57,419	242,419
2038	185,000	52,331	237,331
2039	185,000	47,128	232,128
2040	185,000	41,809	226,809
2041	185,000	36,375	221,375
2042	185,000	30,825	215,825
2043	185,000	25,275	210,275
2044	185,000	19,725	204,725
2045	185,000	14,175	199,175
2046	190,000	8,550	198,550
2047	190,000	2,850	192,850
2048			
	<u>\$ 4,450,000</u>	<u>\$ 1,458,802</u>	<u>\$ 5,908,802</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023**

SERIES - 2021 ROAD BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 25,000	\$ 22,491	\$ 47,491
2025	25,000	22,198	47,198
2026	25,000	21,866	46,866
2027	25,000	21,491	46,491
2028	25,000	21,066	46,066
2029	30,000	20,541	50,541
2030	30,000	19,941	49,941
2031	30,000	19,341	49,341
2032	30,000	18,723	48,723
2033	30,000	18,066	48,066
2034	30,000	17,373	47,373
2035	35,000	16,579	51,579
2036	35,000	15,686	50,686
2037	35,000	14,772	49,772
2038	35,000	13,831	48,831
2039	40,000	12,750	52,750
2040	40,000	11,550	51,550
2041	40,000	10,350	50,350
2042	40,000	9,150	49,150
2043	45,000	7,875	52,875
2044	45,000	6,525	51,525
2045	45,000	5,175	50,175
2046	50,000	3,750	53,750
2047	50,000	2,250	52,250
2048	50,000	750	50,750
	<u>\$ 890,000</u>	<u>\$ 354,090</u>	<u>\$ 1,244,090</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023**

SERIES - 2023 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 285,000	\$ 379,100	\$ 664,100
2025	180,000	346,475	526,475
2026	190,000	334,450	524,450
2027	200,000	321,775	521,775
2028	205,000	308,613	513,613
2029	220,000	294,800	514,800
2030	230,000	280,175	510,175
2031	240,000	266,550	506,550
2032	250,000	255,400	505,400
2033	265,000	245,100	510,100
2034	280,000	234,200	514,200
2035	290,000	222,800	512,800
2036	305,000	210,900	515,900
2037	320,000	198,400	518,400
2038	340,000	185,200	525,200
2039	355,000	171,300	526,300
2040	375,000	156,700	531,700
2041	390,000	141,400	531,400
2042	410,000	125,400	535,400
2043	430,000	108,600	538,600
2044	450,000	91,000	541,000
2045	475,000	72,500	547,500
2046	500,000	53,000	553,000
2047	525,000	32,500	557,500
2048	550,000	11,000	561,000
	<u>\$ 8,260,000</u>	<u>\$ 5,047,338</u>	<u>\$ 13,307,338</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 785,000	\$ 867,989	\$ 1,652,989
2025	690,000	823,689	1,513,689
2026	715,000	800,101	1,515,101
2027	740,000	775,106	1,515,106
2028	760,000	748,529	1,508,529
2029	795,000	720,246	1,515,246
2030	825,000	690,501	1,515,501
2031	850,000	660,972	1,510,972
2032	880,000	632,770	1,512,770
2033	910,000	604,089	1,514,089
2034	950,000	573,475	1,523,475
2035	980,000	541,081	1,521,081
2036	1,020,000	507,163	1,527,163
2037	1,055,000	471,578	1,526,578
2038	1,100,000	433,889	1,533,889
2039	1,150,000	393,914	1,543,914
2040	1,195,000	351,643	1,546,643
2041	1,235,000	307,284	1,542,284
2042	1,285,000	261,038	1,546,038
2043	1,340,000	212,754	1,552,754
2044	1,395,000	162,369	1,557,369
2045	1,450,000	109,876	1,559,876
2046	860,000	67,400	927,400
2047	765,000	37,600	802,600
2048	600,000	11,750	611,750
	<u>\$ 24,330,000</u>	<u>\$ 11,766,806</u>	<u>\$ 36,096,806</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2022	
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2019	\$ 9,350,000	\$ 9,135,000	
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2020	1,920,000	1,875,000	
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2021	4,635,000	4,635,000	
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Road Bonds - Series 2021	890,000	890,000	
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2023	<u>8,260,000</u>		
TOTAL	<u>\$ 25,055,000</u>	<u>\$ 16,535,000</u>	
Bond Authority:	<u>Tax Bonds</u>	<u>Road Bonds</u>	<u>Park Bonds</u>
Amount Authorized by Voters	\$ 168,000,000	\$ 70,000,000	\$ 19,000,000
Amount Issued	<u>24,165,000</u>	<u>890,000</u>	
Remaining to be Issued	<u><u>\$ 143,835,000</u></u>	<u><u>\$ 69,110,000</u></u>	<u><u>\$ 19,000,000</u></u>
	*	*	*
* Refunding bond authorization is equal to 1.5 times the total amount authorized by voters.			
Debt Service Fund cash and investment balances as of March 31, 2023:		<u><u>\$ 1,991,658</u></u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 1,443,872</u></u>	

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 230,000	\$ 312,106	\$ 8,905,000	Zions Bancorporation N.A. Houston, TX
	50,000	56,020	1,825,000	Zions Bancorporation N.A. Houston, TX
	185,000	109,959	4,450,000	Zions Bancorporation N.A. Houston, TX
		22,629	890,000	Zions Bancorporation N.A. Houston, TX
<u>8,260,000</u>	<u> </u>	<u> </u>	<u>8,260,000</u>	Zions Bancorporation N.A. Houston, TX
<u>\$ 8,260,000</u>	<u>\$ 465,000</u>	<u>\$ 500,714</u>	<u>\$ 24,330,000</u>	

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 986,733	\$ 980,160	\$ 905,233
Water Service	83,722	57,431	61,526
Wastewater Service	131,422	83,816	54,045
Water Authority Fees	64,535	40,061	51,883
Penalty and Interest	1,357	1,017	1,390
Tap Connection and Inspection Fees	179,732	142,588	41,915
Investment and Miscellaneous Revenues	<u>28,729</u>	<u>8,657</u>	<u>8,243</u>
TOTAL REVENUES	<u>\$ 1,476,230</u>	<u>\$ 1,313,730</u>	<u>\$ 1,124,235</u>
EXPENDITURES			
Professional Fees	\$ 283,392	\$ 174,854	\$ 217,506
Contracted Services	79,102	74,456	54,253
Water Authority Assessments	65,876	43,016	43,688
Repairs and Maintenance	141,744	160,674	86,999
Lease Payments	210,000	210,000	
Other	346,705	274,857	137,279
Capital Outlay	<u>310,737</u>	<u>541,508</u>	<u>152,712</u>
TOTAL EXPENDITURES	<u>\$ 1,437,556</u>	<u>\$ 1,479,365</u>	<u>\$ 692,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 38,674</u>	<u>\$ (165,635)</u>	<u>\$ 431,798</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (17,500)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 38,674	\$ (183,135)	\$ 431,798
BEGINNING FUND BALANCE	<u>1,837,581</u>	<u>2,020,716</u>	<u>1,588,918</u>
ENDING FUND BALANCE	<u>\$ 1,876,255</u>	<u>\$ 1,837,581</u>	<u>\$ 2,020,716</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 944,715	\$ 1,122,995	66.8 %	74.5 %	80.6 %	82.6 %	84.4 %
68,380	33,863	5.7	4.4	5.5	6.0	2.5
40,311	30,909	8.9	6.4	4.8	3.5	2.3
47,469	22,111	4.4	3.0	4.6	4.2	1.7
361	36,101	0.1	0.1	0.1		2.7
29,335	80,279	12.2	10.9	3.7	2.6	6.0
12,755	5,480	1.9	0.7	0.7	1.1	0.4
<u>\$ 1,143,326</u>	<u>\$ 1,331,738</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 109,984	\$ 128,962	19.2 %	13.3 %	19.3 %	9.6 %	9.7 %
30,119	38,738	5.4	5.7	4.8	2.6	2.9
52,564	36,106	4.5	3.3	3.9	4.6	2.7
51,581	25,078	9.6	12.2	7.7	4.5	1.9
		14.2	16.0			
311,299	287,142	23.5	20.9	12.2	27.2	21.6
		21.0	41.2	13.6		
<u>\$ 555,547</u>	<u>\$ 516,026</u>	<u>97.4 %</u>	<u>112.6 %</u>	<u>61.5 %</u>	<u>48.5 %</u>	<u>38.8 %</u>
\$ 587,779	\$ 815,712	<u>2.6 %</u>	<u>(12.6) %</u>	<u>38.5 %</u>	<u>51.5 %</u>	<u>61.2 %</u>
\$ 41,282	\$ -0-					
\$ 629,061	\$ 815,712					
959,857	144,145					
<u>\$ 1,588,918</u>	<u>\$ 959,857</u>					

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,584,155	\$ 913,739	\$ 805,610
Penalty and Interest	44,089	40,069	38,443
Investment and Miscellaneous Revenues	18,241	1,003	4,642
TOTAL REVENUES	\$ 1,646,485	\$ 954,811	\$ 848,695
EXPENDITURES			
Tax Collection Expenditures	\$ 40,441	\$ 38,027	\$ 32,873
Debt Service Principal	465,000	260,000	
Debt Service Interest and Fees	502,429	460,680	353,829
TOTAL EXPENDITURES	\$ 1,007,870	\$ 758,707	\$ 386,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 638,615	\$ 196,104	\$ 461,993
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ -0-	\$ 33,943	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 638,615	\$ 230,047	\$ 461,993
BEGINNING FUND BALANCE	1,328,604	1,098,557	636,564
ENDING FUND BALANCE	\$ 1,967,219	\$ 1,328,604	\$ 1,098,557
TOTAL ACTIVE RETAIL WATER CONNECTIONS	189	158	126
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	178	154	123

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 370,575	\$	96.2 %	95.7	95.0 %	92.7 %	%
24,912		2.7	4.2	4.5	6.2	
4,227		1.1	0.1	0.5	1.1	
<u>\$ 399,714</u>	<u>\$ -0-</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>%</u>
\$ 27,910	\$	2.5 %	4.0 %	3.9 %	7.0 %	%
		28.2	27.2			
218,249		30.5	48.2	41.7	54.6	
<u>\$ 246,159</u>	<u>\$ -0-</u>	<u>61.2 %</u>	<u>79.4 %</u>	<u>45.6 %</u>	<u>61.6 %</u>	<u>%</u>
\$ 153,555	\$ -0-	38.8 %	20.6 %	54.4 %	38.4 %	N/A %
\$ 483,009	\$ -0-					
\$ 636,564	\$					
<u>\$ 636,564</u>	<u>\$ -0-</u>					
<u>115</u>	<u>106</u>					
<u>112</u>	<u>105</u>					

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023**

District Mailing Address - Blaketree Municipal Utility District No. 1
of Montgomery County
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>March 31, 2023</u>	Expense Reimbursements for the year ended <u>March 31, 2023</u>	<u>Title</u>
Tammy Pizzitola	05/2020 05/2024 (Elected)	\$ 1,800	\$ 142	President
Jimmy Thornton	05/2020 05/2024 (Elected)	\$ 1,500	\$ 374	Vice President
Lorie Varnas	05/2022 05/2026 (Elected)	\$ 1,650	\$ 324	Secretary
Lee Johns	08/2022 05/2026 (Appointed)	\$ 1,200	\$ 154	Assistant Secretary
Scott Shelburne	03/2023 05/2026 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: March 17, 2023

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution on July 17, 2009. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1
OF MONTGOMERY COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended March 31, 2023</u>	<u>Title</u>
Coats Rose, P.C.	07/17/09	\$ 56,461	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
		\$ 8,546	
		\$ 192,354	
McCall Gibson Swedlund Barfoot PLLC	02/16/16	\$ 15,000	Auditor Bond Related
		\$ 19,000	
L&S District Services, LLC	07/17/09	\$ 13,237	Bookkeeper
Quiddity Engineering, LLC	07/08/16	\$ 273,931	Engineer
Robert W. Baird & Co. Incorporated	03/13/15	\$ 168,109	Financial Advisor
Debra Loggins	07/17/09	\$ -0-	Investment Officer
Hays Utility North Corporation	10/10/14	\$ 395,801	Operator
Utility Tax Service, LLC	10/10/14	\$ 13,048	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN