

OFFICIAL STATEMENT DATED JUNE 25, 2025

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

THE BONDS HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE - Book-Entry-Only

Rating (AG): S&P “AA” (stable outlook)
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

\$3,100,000
HARRIS COUNTY IMPROVEMENT DISTRICT NO. 23
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX ROAD BONDS
SERIES 2025

The bonds described above (the “Bonds”) are obligations solely of Harris County Improvement District No. 23 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston, the Authority (herein defined) or any entity other than the District.

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

Dated: July 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar” or “Registrar/Paying Agent”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected to be on or about July 24, 2025) (the “Date of Delivery”), and is payable each March 1 and September 1, commencing March 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. (“AG” or the “Insurer”).

MATURITY SCHEDULE

Principal	Maturity	CUSIP	Interest	Initial	Principal	Maturity	CUSIP	Interest	Initial
Amount	(September 1)	Number (b)	Rate	Reoffering	Amount	(September 1)	Number (b)	Rate	Reoffering
				Yield (c)					Yield (c)
\$ 60,000	2026	41418N AA7	7.000 %	3.15 %	\$ 120,000	2039 (a)	41418N AP4	4.500 %	4.50 %
65,000	2027	41418N AB5	7.000	3.20	130,000	2040 (a)	41418N AQ2	4.500	4.60
65,000	2028	41418N AC3	7.000	3.25	135,000	2041 (a)	41418N AR0	4.625	4.70
70,000	2029	41418N AD1	7.000	3.30	145,000	2042 (a)	41418N AS8	4.750	4.80
75,000	2030	41418N AE9	7.000	3.40	150,000	2043 (a)	41418N AT6	4.750	4.85
75,000	2031	41418N AF6	7.000	3.50	160,000	2044 (a)	41418N AU3	4.750	4.88
80,000	2032 (a)	41418N AG4	7.000	3.60	170,000	2045 (a)	41418N AV1	4.750	4.90
85,000	2033 (a)	41418N AH2	7.000	3.70	180,000	2046 (a)	41418N AW9	4.750	4.92
90,000	2034 (a)	41418N AJ8	5.750	3.85	190,000	2047 (a)	41418N AX7	4.875	4.94
95,000	2035 (a)	41418N AK5	4.500	4.05	200,000	2048 (a)	41418N AY5	4.875	4.96
100,000	2036 (a)	41418N AL3	4.500	4.20	210,000	2049 (a)	41418N AZ2	4.875	4.98
110,000	2037 (a)	41418N AM1	4.500	4.30	225,000	2050 (a)	41418N BA6	4.875	5.00
115,000	2038 (a)	41418N AN9	4.500	4.40					

- (a) Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2031, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson, LLP, Co-Bond Counsel and Burney & Foreman, Co-Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about July 24, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

Assured Guaranty Inc. (“AG” or the “Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer supplied by the Insurer and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX C—Specimen Municipal Bond Insurance Policy.”

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...

Harris County Improvement District No. 23 (the “District”) is a political subdivision of the State of Texas created as an improvement district in 2013 under Section 59, Article XVI, the Texas Constitution by Senate Bill 690 of the Texas Legislature, 83rd Regular Session, effective September 1, 2013, as codified in Chapter 3910 of the Texas Special District Local Laws Code. The District operates pursuant to Chapter 3910 of the Texas Special District Local Laws Code; Chapter 375 of the Texas Local Government Code, as amended; Chapter 49 of the Texas Water Code, as amended; and Article XVI, Section 59 and Article III, Section 52 and 52-a of the Texas Constitution. The District is subject to the continuing supervisory jurisdiction of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”). The District has the authority, among other things, to finance and construct water, sewer, and drainage facilities, roads, parks and recreational facilities, parking facilities, navigation facilities and other public infrastructure to serve the land within the District’s boundaries. The District is located wholly within the corporate boundaries of the City of Houston, Texas (“Houston” or the “City”) and is within the boundaries of the Houston Independent School District. The District contains approximately 148 acres of land. See “THE DISTRICT.”

Location...

The District is located in central Harris County, approximately one and one-half miles northeast of the central downtown business district of the City. The District lies approximately one-half mile southeast of the intersection of Interstate Highway 10 (“IH-10”) and Interstate Highway 69. The District can be accessed from IH-10 via Jensen Drive or Hirsch Rd (also known as Waco Street). See “THE DISTRICT—Description and Location” and “AERIAL PHOTOGRAPH.”

The Developer and Principal Property Owners...

The principal developer of approximately 148 acres of land in the District for a master planned, mixed-use urban community development (“East River”) is KBRN, LP, a Texas limited partnership (the “Developer”). The principal partners of the Developer are KBRN Investor Partner, LP, a Texas limited partnership (“KBRN Investor Partner”), KBRN Carry Partner, LP, a Texas limited partnership (“KBRN Carry Partner”) and Cathexis RE Holdings LP, a Texas limited partnership (“Cathexis”) and the general partner is KBRN GP, LLC, a Texas limited liability company (“KBRN GP”). KBRN Investor Partner, KBRN Carry Partner, KBRN GP are affiliates of Midway Companies (“Midway”), a Houston based privately-owned real estate investment, development and construction management firm. Midway Development Group, LLC, a Texas limited liability company (“Midway Development Group”) is a wholly owned subsidiary of Midway contracted by KBRN to manage development in East River. The Developer has developed approximately 12 acres of land within the District for office, retail, multi-family residential development and a parking facility and continues to own an aggregate of approximately 106 acres of developable land in the District, of which approximately 43 acres of land in the District is subject to a ground lease with East River Lead Ventures LLC (defined herein) for East River 9, a 9-hole par-3 golf course facility, restaurant, and pickleball facility, and approximately 1 acre is ground leased to a church (which church is exempt from ad valorem taxation).

East River Commercial One, LLC, a Texas limited liability company (“East River Commercial One”) is a wholly owned subsidiary of the Developer and owns two, five-story buildings consisting of approximately 136,000 square feet of office facilities and 39,000 square feet of retail facilities on approximately 3 acres of land in the District and two retail pavilions consisting of approximately 12,000 square feet on approximately 0.8 acres of land in the District. East River Commercial One does not own any developable acreage within the District.

East River Residential One, LLC, a Texas limited liability company, is a wholly owned subsidiary of the Developer and owns The Laura, a 359-unit apartment community with 10,000 square feet of ground level retail facilities on approximately 5 acres of land in the District.

East River Garage One, LLC, a Texas limited liability company, is a wholly owned subsidiary of the Developer and owns a 5-story parking garage with 11,000 square feet of retail facilities on approximately 1 acre of land in the District.

East River Warehouses One LLC, a Texas limited liability company, is a wholly owned subsidiary of the Developer and developed “The Studios” at East River consisting of three 2-story 10,000 square foot office buildings on an aggregate of approximately 1 acre of land in the District. East River Partners LLC, a Texas limited liability company wholly owned by partners of OJB Landscape Architecture purchased one of the office buildings for its Houston-based practice.

East River Lead Ventures LLC, a Texas limited liability company, is a co-general partner of the Developer and has a ground lease on approximately 43 acres of land in the District owned by the Developer where East River 9, a 9-hole, par-3 golf course, driving range, restaurant and pickleball facility have been developed. The Developer has ground leased one acre to a church (which church is exempt from ad valorem taxation).

The Port of Houston owns approximately 2 acres of land in the District where construction is underway for development of its new headquarters. The new headquarters will be exempt from ad valorem taxation. Midway Development Group is managing the development and construction on behalf of the Port of Houston.

Anton Paar USA acquired approximately 0.7 acres of land in the District. No construction has commenced on such land as of the date hereof.

No landowner, developer or any of their respective subsidiaries or affiliates is obligated to pay any principal or interest on the Bonds. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer,” “THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS” and “TAX DATA—Principal Taxpayers.”

Principal Taxpayers...

Based on the 2024 Certified Taxable Assessed Valuation of \$141,654,164, the ten largest property owners are responsible for payment of approximately 99.71% of the District’s 2024 taxes. The Developer and its wholly owned subsidiaries represent \$138,079,355 or 97.48% of the 2024 Certified Taxable Assessed Valuation of \$141,654,164. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer,” “THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS” and “TAX DATA—Principal Taxpayers.”

Status of Development...

Development in the District consists of East River, Phase One, a mixed-use development consisting of approximately 156,000 square feet of office facilities and approximately 136,000 square feet of retail facilities constructed on an aggregate of approximately 4 acres of land in the District. According to the Developer, approximately 123,443 square feet of the office facilities and approximately 72,910 square feet of the retail facilities are currently leased including a mortgage company, architecture firm, towing company, a central managed plant business, a managed services and outsourced IT consulting firm, a luxury events venue and an ice cream parlor.

A 5-story parking garage consisting of 385 spaces and approximately 11,000 square feet of retail facilities has been constructed on approximately 1 acre of land in the District. According to the Developer, approximately 6,312 square feet of the retail facilities are currently leased by an eye studio, dental office and fitness studio.

In addition to commercial development, The Laura, an apartment community consisting of 359 units and 10,000 square feet of retail facilities, has been constructed on approximately 5 acres of land in the District. According to the Developer, the apartment community is approximately 57% occupied. Approximately 4,370 square feet of the retail facilities are currently leased to a non-profit entity and a Mediterranean bakery.

Additionally, construction of a 95,000 square foot, six story building and a 118,000 square foot parking garage consisting of 300 spaces is underway for the Port of Houston's new headquarters on an aggregate of approximately 2 acres of land in the District. Completion is estimated in the fourth quarter of 2025. The Port of Houston's new headquarters will be exempt from ad valorem taxation by the District.

The District also includes a church (which church is exempt from ad valorem taxation) and East River 9, a 9-hole par 3 golf course, driving range, restaurant, pickleball facility on approximately 43 acres of land in the District, approximately 63 acres of developable, but undeveloped land in the District and approximately 30 undevelopable acres of land in the District contained in rights-of-way, easements and floodplain. See "THE DISTRICT."

Payment Record...

The Bonds are the District's first issuance of debt. Eighteen (18) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

*Fifth Ward
Redevelopment Authority...*

On December 10, 2020, the District and the Fifth Ward Redevelopment Authority (the "Authority") entered into an Interlocal Development Agreement (the "Agreement") to reimburse the District for funds paid by or on behalf of the District for the financing, acquiring, designing, developing and constructing of certain public improvements (the "Public Improvements Costs") located within the boundaries of the District. The Authority has determined that the Public Improvements Costs are eligible under the Project Plan and Reinvestment Zone Financing Plan (the "Project and Financing Plan") as amended by the Third Amended Project Plan and Reinvestment Zone Plan adopted on December 4, 2019.

Per the Agreement, the Authority will make annual payments (the "Annual Authority Payments") to the District equal to eighty-five percent (85%) of the Project Tax Increment received by the Authority from the City. The Project Tax Increment is the amount of ad valorem property taxes collected each year by the City on the Annual Project Captured Appraised Value less a proportionate share of the funds required to pay City administrative fees, City affordable housing set-aside payments, City Municipal Services fees, and any other administrative fees that are applicable to the District. The Annual Project Captured Appraised Value is the total taxable appraised value of all real property located in the District as of January 1, using the August certified rolls of that year, less the total taxable appraised value of all real property located in the District as of January 1, 2020 (the base year value).

The Annual Authority Payments are limited to the Maximum Reimbursement amount, which is the lesser of the Public Improvements Costs, or the initial \$25,000,000, which will increase by an additional \$25,000,000 for each \$500,000,000 increase in the cumulative appraised value in the District, up to a maximum aggregate amount of 85% of each annual Project Tax Increment through the end of the term. The Annual Authority Payment is due each year and payable to the District within thirty (30) calendar days of the Authority's receipt of the Project Tax Increment payment from the City beginning in 2021.

The District agrees to fully fund all costs required for the contracts entered in connection with the Public Improvements Costs and to manage their construction. The District shall deposit the Annual Authority Payments into a project revenue fund and use the monies only to pay Public Improvements Costs. The Term of this Agreement commences on December 10, 2020, the effective date, and terminates upon the earlier of December 31, 2049, or the date on which the Maximum Reimbursement Amount has been paid to the District. For the 2023 tax year, the District has received \$217,447 pursuant to the Agreement. See "THE BONDS—Source of Payment." See "THE FIFTH WARD REDEVELOPMENT AUTHORITY."

THE BONDS

<i>Description...</i>	<p>\$3,100,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on September 1 in the years 2026 through 2050, both inclusive, in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable March 1, 2026, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”</p>
<i>Book-Entry-Only System...</i>	<p>The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”</p>
<i>Redemption...</i>	<p>Bonds maturing on or after September 1, 2032 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2031, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”</p>
<i>Use of Proceeds...</i>	<p>Proceeds of the Bonds will be used to finance road facilities as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize eighteen (18) months of interest on the Bonds; to pay interest on funds advanced by the Developer on behalf of the District; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”</p>
<i>Authority for Issuance...</i>	<p>The Bonds are the first series of bonds issued out of an aggregate of \$936,150,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing road facilities and refunding of such bonds. The Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, Chapter 3910, Texas Special District Local Laws Code, Chapter 375, Texas Local Government Code, as amended, Chapter 49 of the Texas Water Code, as amended, the general laws of the State of Texas, and the Bond Resolution. See “RISK FACTORS—Future Debt,” “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”</p>
<i>Source of Payment...</i>	<p>Principal of and interest on 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 within the District. The Bonds are obligations of the District and are not obligations of the City, Harris County, the State of Texas, the Authority or any entity other than the District. See “THE BONDS—Source of Payment.”</p>
<i>Municipal Bond Rating And Municipal Bond Insurance...</i>	<p>S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to assign a municipal bond insured rating of “AA” (stable outlook) to this issue of the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. (“AG” or the “Insurer”). The District has not applied for an investment grade rating nor is it expected that the District would have been successful if such application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX C.”</p>

*Qualified Tax-Exempt
Obligations...*

The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

Co-Bond Counsel...

Allen Boone Humphries Robinson LLP, Houston, Texas and Burney & Foreman, Houston, Texas. See “LEGAL MATTERS,” and “TAX MATTERS.”

Co-Financial Advisor...

Masterson Advisors LLC, Houston, Texas and Knight & Day Group, LLC, Houston, Texas.

Disclosure Counsel...

McCall, Parkhurst & Horton, LLP, Houston, Texas.

Paying Agent/Registrar...

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

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2024 Certified Taxable Assessed Valuation	\$141,654,164	(a)
Estimated Taxable Assessed Valuation as of November 15, 2024	\$174,144,608	(b)
2025 Preliminary Taxable Assessed Valuation.....	\$226,367,176	(c)
Gross Direct Debt Outstanding (the Bonds)	\$3,100,000	(d)
Estimated Overlapping Debt.....	<u>3,444,982</u>	(e)
Gross Direct Debt and Estimated Overlapping Debt	\$6,544,982	
Ratios of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of November 15, 2024	1.78%	
2025 Preliminary Taxable Assessed Valuation.....	1.37%	
Ratios of Total Gross Direct Debt and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of November 15, 2024	3.76%	
2025 Preliminary Taxable Assessed Valuation.....	2.89%	
Operating Fund Balance as of June 5, 2025	\$398,102	
Funds Available for Debt Service:		
Capitalized Interest from Proceeds of the Bonds (Eighteen (18) Months).....	\$240,413	(f)
2024 Total Tax Rate (All Maintenance)	\$0.25	(g)
Average Annual Debt Service Requirements (2026-2050) of the Bonds		
("Average Annual Requirement")	\$220,602	(h)
Maximum Annual Debt Service Requirements (2026) of the Bonds		
("Maximum Requirement")	\$236,748	(h)
Tax rates required to pay Average Annual Requirement based upon:		
Estimated Taxable Assessed Valuation as of November 15, 2024 at a 90% collection rate.....	\$0.15	(i)
2025 Preliminary Taxable Assessed Valuation at a 90% collection rate	\$0.11	(i)
Tax rates required to pay Maximum Annual Requirement based upon:		
Estimated Taxable Assessed Valuation as of November 15, 2024 at a 90% collection rate.....	\$0.16	(i)
2025 Preliminary Taxable Assessed Valuation at a 90% collection rate	\$0.12	(i)

- (a) As certified by the Harris Central Appraisal District (the "Appraisal District") See "TAXING PROCEDURES."
- (b) As estimated by the Appraisal District as of November 15, 2024, for information purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and therefore this estimate will not be the basis for any tax levy by the District. The 2024 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2024 to November 15, 2024. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District as a preliminary indication of the 2025 taxable value (as of January 1, 2025). Such amount is subject to review and downward adjustment prior to certification. Such amount includes the 2025 preliminary real property value in the amount of \$224,710,495 and the 2024 certified personal property value in the District in the amount of \$1,656,681. No tax will be levied on such amount until it is certified in the fall of 2025. See "TAXING PROCEDURES."
- (d) After issuance of the Bonds.
- (e) See "ESTIMATED OVERLAPPING DEBT."
- (f) The District will capitalize eighteen (18) months of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The District intends to levy its initial debt service tax in 2025. See "TAX DATA—Debt Service Tax."
- (h) See "DEBT SERVICE REQUIREMENTS."
- (i) See "RISK FACTORS—Maximum Impact on District Tax Rate" and "TAX DATA—Tax Adequacy for Debt Service."

OFFICIAL STATEMENT

\$3,100,000

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 23

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

UNLIMITED TAX ROAD BONDS SERIES 2025

This Official Statement provides certain information in connection with the issuance by Harris County Improvement District No. 23 (the “District”) of its \$3,100,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

The Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 and 52-a of the Texas Constitution, Chapter 3910, Texas Special District Local Laws Code, Chapter 49 of the Texas Water Code, as amended, Chapter 375, Texas Local Government Code, as amended, the general laws of the State of Texas, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, the Fifth Ward Redevelopment Authority (the “Authority”), KBRN, LP, a Texas limited partnership (the “Developer”) and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

RISK FACTORS

General

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

Dependence on Major Taxpayers and the Developer

The ten principal taxpayers represent \$141,239,528 or approximately 99.71% of the 2024 Certified Taxable Assessed Valuation of \$141,654,164, which represents ownership as of January 1, 2024. The Developer and wholly and partially owned subsidiaries and co-general partner of the Developer including East River Commercial, One LLC, East River Residential One, LLC, East River Garage One, LLC, East River Warehouses One LLC and East River Lead Ventures LLC represent \$138,079,355 or approximately 97.48% of the 2024 Certified Taxable Assessed Valuation. See “THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS,” and “TAX DATA—Principal Taxpayers.” If a principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District’s Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Debt Service Fund. See “—Tax Collections Limitations and Foreclosure Remedies” herein and “TAXING PROCEDURES—Levy and Collection of Taxes.”

The Developer has informed the District that its current plans are to continue developing its property in the District. However, neither the Developer, its subsidiaries, its affiliates or any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, its subsidiaries and other landowners to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer, any of its subsidiaries or affiliates or any other landowners.

Undeveloped Acreage and Vacant Lots

There are approximately 63 developable acres of land within the District that have not been provided with water, sanitary sewer, storm sewer, road, park and other facilities necessary for the construction of taxable improvements (excluding approximately 2 acres under construction by the Port of Houston for its new headquarters). Failure of the Developer to develop the developable land or of builders to build taxable improvements on developed land could restrict the rate of growth of taxable value in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur. See “THE DISTRICT—Status of Development.”

Increase in Costs of Building Materials

As a result of ongoing trade disputes including tariffs and retaliatory tariffs, construction activity within the District could be materially impacted. Further, trade disruptions based on the federal administration’s unpredictable tariff policy (including the threatened imposition of tariffs) could increase the cost of materials for new construction in the District. Any material impacts to the levels of construction activity within the District could restrict the growth of property values or could adversely impact existing values. The District makes no representations regarding the effects that current or future economic or governmental circumstances may have on property values or construction activity within the District.

Landowner Obligation to the District

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of commercial, office, retail and multi-family residential development, and vacant tracts of land. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for land and industrial/manufacturing/commercial sites of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “Credit Markets and Liquidity in the Financial Markets” below and “THE DISTRICT—Status of Development.”

Credit Markets and Liquidity in the Financial Markets

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

Maximum Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The Estimated Taxable Assessed Valuation as of November 15, 2024 is \$174,144,608. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$236,748 (2026) and the average annual debt service requirement on the Bonds will be \$220,602 (2026-2050). Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of November 15, 2024, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.16 and \$0.15 per \$100 of assessed valuation at a ninety percent (90%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The 2025 Preliminary Taxable Assessed Valuation is \$226,367,176, which is subject to review and significant revision prior to certification. Assuming no increase or decrease from the 2025 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.12 and \$0.11 per \$100 of taxable assessed valuation at a ninety percent (90%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See “DEBT SERVICE REQUIREMENTS.”

Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the Estimated Taxable Assessed Valuation as of November 15, 2024 and 2025 Preliminary Taxable Assessed Valuation, which is subject to review and significant revision prior to certification, the District can make no representations regarding the future level of taxable assessed valuation within the District. See “TAX DATA—Tax Adequacy for Debt Service” and “TAXING PROCEDURES.”

Potential Effects of Oil Price Volatility 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 and gas industry could have on property values in the District.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

The District is located adjacent to the Buffalo Bayou. During Hurricane Harvey, many areas adjacent to the Buffalo Bayou, including the District, experienced flooding damage and some areas within the central and southwest portions of the City adjacent to Buffalo Bayou experienced significant flooding damage. According to the Developer, no areas within the District sustained any material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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 man-made drainage systems (canals or channels) downstream.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. 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.

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

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

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the United States Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$936,150,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds, \$384,750,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$480,300,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, \$679,350,000 principal amount of unlimited tax bonds for parking facilities and refunding of such bonds, \$192,900,000 principal amount of unlimited tax bonds for navigation facilities and refunding of such bonds and \$93,300,000 principal amount of unlimited tax bonds for economic development and refunding of such bonds has been authorized by voters in the District. After issuance of the Bonds, \$933,050,000 principal amount of unlimited tax bonds will remain authorized but unissued for purchasing and constructing road facilities and all of the authorized bonds for water, sewer and drainage facilities, park and recreational facilities, parking facilities, navigation facilities and for economic development and refunding of all such bonds. The Texas Attorney General's office has taken the position that the Texas Constitution does not allow ad valorem tax revenues to be used to pay for bonds issued for economic development purposes. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. After reimbursement from proceeds of the Bonds, the Developer will have expended approximately \$22,566,206 for design, construction, engineering and acquisition of water, sewer and drainage facilities, road facilities and parks and recreational facilities for which they have not been reimbursed. The District expects to issue unlimited tax and contract revenue bonds in the future secured by the Annual Authority Payments from the Authority. See "THE BONDS—Issuance of Additional Debt" and "THE FIFTH WARD REDEVELOPMENT AUTHORITY."

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds (except for road facilities, parks and recreation facilities, refunding bonds and economic development bonds) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "THE BONDS—Issuance of Additional Debt."

Issuance of additional bonds could dilute the investment security for the Bonds.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025 and concluded on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Assured Guaranty Inc. (“AG” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P (as hereinafter defined). See “MUNICIPAL BOND INSURANCE.”

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

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

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

THE BONDS

Description

The Bonds will be dated July 1, 2025 and accrue interest from the Date of Delivery, with interest payable each March 1 and September 1, beginning March 1, 2026 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City, the Authority or any entity other than the District.

Funds

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

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

Eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund after completion of construction of the entire road system will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto and "ROADS."

No Arbitrage

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2031, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

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

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

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$936,150,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds. The Bonds are being issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 and 52-a of the Texas Constitution, Chapter 3910, Texas Special District Local Laws Code, Chapter 375, Texas Local Government Code, as amended, Chapter 49 of the Texas Water Code, as amended, the general laws of the State of Texas, and the Bond Resolution.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferable. See "BOOK-ENTRY-ONLY SYSTEM."

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

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

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ (other than road bonds, refunding bonds, parks and recreational facilities bonds, parking facilities bonds, navigation bonds and economic development bonds), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. A total of \$936,150,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds, \$384,750,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$480,300,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, \$679,350,000 principal amount of unlimited tax bonds for parking facilities and refunding of such bonds, \$192,900,000 principal amount of unlimited tax bonds for navigation facilities and refunding of such bonds and \$93,300,000 principal amount of unlimited tax bonds for economic development and refunding of such bonds has been authorized by voters in the District. After issuance of the Bonds, \$933,050,000 principal amount of unlimited tax bonds will remain authorized but unissued for purchasing and constructing road facilities and all of the authorized bonds for water, sewer and drainage facilities, park and recreational facilities, parking facilities, navigation facilities and for economic development and refunding of all such bonds. The Texas Attorney General's office has taken the position that the Texas Constitution does not allow ad valorem tax revenues to be used to pay for bonds issued for economic development purposes. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District also has the right to issue bonds secured by the Annual Authority Payments from the Authority. See "RISK FACTORS—Future Debt" and "THE FIFTH WARD REDEVELOPMENT AUTHORITY." The timing, amount, and implementation of any future unlimited tax and contract revenue bonds issued by the District will be determined by future growth within the reinvestment zone and the District's Board of Directors.

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

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to the Bonds, one fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

FIFTH WARD REDEVELOPMENT AUTHORITY

On December 10, 2020, the District and the Fifth Ward Redevelopment Authority (the "Authority") entered into an Interlocal Development Agreement (the "Agreement") to reimburse the District for funds paid by or on behalf of the District for the financing, acquiring, designing, developing and constructing of certain public improvements (the "Public Improvements Costs") located within the boundaries of the District. The Authority has determined that the Public Improvements Costs are eligible under the Project Plan and Reinvestment Zone Financing Plan (the "Project and Financing Plan") as amended by the Third Amended Project Plan and Reinvestment Zone Plan adopted on December 4, 2019.

Per the Agreement, the Authority will make annual payments (the "Annual Authority Payments") to the District equal to 85% of the Project Tax Increment received by the Authority from the City. The Project Tax Increment is the amount of ad valorem property taxes collected each year by the City on the Annual Project Captured Appraised Value less a proportionate share of the funds required to pay City administrative fees, City affordable housing set-aside payments, City Municipal Services fees, and any other administrative fees that are applicable to the District. The Annual Project Captured Appraised Value is the total taxable appraised value of all real property located in the District as of January 1, using the August certified rolls of that year, less the total taxable appraised value of all real property located in the District as of January 1, 2020 (the base year value).

The Annual Authority Payments are limited to the Maximum Reimbursement amount, which is the lesser of the Public Improvement Costs, or the initial \$25,000,000, which will increase by an additional \$25,000,000 for each \$500,000,000 increase in the cumulative project appraised value, up to a maximum aggregate amount of eight-five percent (85%) of each annual Project Tax Increment through the end of the term. The Annual Authority Payment is due each year and payable to the District within thirty (30) calendar days of the Authority's receipt of the Project Tax Increment payment from the City beginning in 2021.

The District agrees to fully fund all costs required for the contracts entered in connection with the Public Improvements and to manage their construction. The District shall deposit the Annual Authority Payments into a project revenue fund and use the monies only to pay Public Improvement Costs. The Term of this Agreement commences on December 10, 2020, the effective date, and terminates upon the earlier of December 31, 2049, or the date on which the Maximum Reimbursement Amount has been paid to the District. For the 2023 tax year, the District has received \$217,447 pursuant to the Agreement. See "THE BONDS—Source of Payment."

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by BGE, Inc., the District's engineer (the "Engineer"). A portion of the proceeds from the sale of the Bonds will be used to pay for the construction, land and development costs associated with the items shown below and to pay certain non-construction costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed upon procedures by the District's auditor.

I. CONSTRUCTION COSTS

• East River, Section One Major Infrastructure.....	\$ 2,335,294
• Engineering	184,537
Total Construction Costs.....	\$ 2,519,831

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$ 92,965
• Capitalized Interest Eighteen (18) Months (a).....	240,413
Total Non-Construction Costs.....	\$ 333,377

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees	\$ 196,694
• Bond Engineering Report Costs	20,000
• State Regulatory Fees	3,100
• Contingency (a).....	26,998
Total Issuance Costs and Fees	\$ 246,792
TOTAL BOND ISSUE.....	\$ 3,100,000

(a) Contingency represents the difference in the estimated and actual amount of Underwriter's Discount and capitalized interest.

THE DISTRICT

General

The District is a political subdivision of the State of Texas created as an improvement district in 2013 under Section 59, Article XVI, and by Senate Bill 690 of the Texas Legislature, 83rd Regular Session, effective September 1, 2013, as codified in Chapter 3910 of the Texas Special District Local Laws Code. The District operates pursuant to Chapter 3910 of the Texas Special District Local Laws Code; as amended, Chapter 375 of the Texas Local Government Code; Chapter 49 of the Texas Water Code, as amended; and Article XVI, Section 59 and Article III, Section 52 and 52-a of the Texas Constitution. The District is subject to the continuing supervisory jurisdiction of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”). The District has the authority, among other things, to finance and construct water, sewer, drainage, roads, parks, recreational facilities, parking facilities, navigation facilities and other public infrastructure to serve the land within the District’s boundaries. The District is located wholly within the corporate limits of the City. The District contains approximately 148 acres of land.

The District is empowered, among other things, to further economic development, eliminate unemployment or under employment, develop or expand transportation, promote health and safety and other purposes, and to purchase and construct all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection and transportation of wastewater; the control and diversion of storm water; the construction of roads; and the construction or acquisition of recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct facilities required to further its purposes.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, roads and parks and recreational facilities, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District’s drainage system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Description and Location

The District is located in central Harris County, approximately one and one-half miles northeast of the central downtown business district of the City. The District lies wholly within the City and is within the boundary of the Houston Independent School District. The District lies approximately one-half mile southeast of the intersection of Interstate Highway 10 (“IH-10”) and Interstate Highway 69. The District can be accessed from IH-10 via Jensen Drive or Hirsch Rd (also known as Waco Street). See “AERIAL PHOTOGRAPH.”

Status of Development

Development in the District consists of East River, Phase One, a mixed-use development consisting of approximately 156,000 square feet of office facilities and approximately 136,000 square feet of retail facilities constructed on an aggregate of approximately 4 acres of land in the District. According to the Developer, approximately 123,443 square feet of the office facilities and approximately 72,910 square feet of the retail facilities are currently leased including a mortgage company, architecture firm, towing company, a central managed plant business, a managed services and outsourced IT consulting firm, a luxury events venue and an ice cream parlor.

A 5-story parking garage consisting of 385 spaces and approximately 11,000 square feet of retail facilities has been constructed on approximately 1 acre of land in the District. According to the Developer, approximately 6,312 square feet of the retail facilities are currently leased by an eye studio, dental office and fitness studio.

In addition to commercial development, The Laura, an apartment community consisting of 359 units and 10,000 square feet of retail facilities, has been constructed on approximately 5 acres of land in the District. According to the Developer, the apartment community is approximately 57% occupied. Approximately 4,370 square feet of the retail facilities are currently leased to a non-profit and a Mediterranean bakery.

Additionally, construction of a 95,000 square foot, six story building and a 118,000 square foot parking garage consisting of 300 spaces is underway for the Port of Houston’s new headquarters on an aggregate of approximately 2 acres of land in the District. Completion is estimated in the fourth quarter of 2025. The Port of Houston’s new headquarters will be exempt from ad valorem taxation by the District.

The District also includes a church (which church is exempt from ad valorem taxation) and East River 9, a 9-hole par 3 golf course, driving range, restaurant, pickleball facility on approximately 43 acres of land in the District, approximately 63 acres of developable, but undeveloped land in the District and approximately 30 acres of undevelopable land in the District contained in rights-of-way, easements and floodplain. See “THE DISTRICT.”

Future Development

There are approximately 63 developable acres in the District remaining to be developed and approximately 30 undevelopable acres in the District consisting of public rights-of-way, easements, and floodplain.

The Engineer has stated that under current development plans, the remaining principal amount of authorized but unissued bonds for water, sewer and drainage facilities and refunding of same (\$384,750,000), for road facilities and refunding of same (\$933,050,000), for parks and recreational facilities and refunding of same (\$480,300,000), for parking facilities and refunding of same (\$679,350,000), for navigation facilities and for refunding same (\$192,900,000) and for economic development and refunding of same (\$93,300,000) should be sufficient to finance the construction of facilities to complete the District's, water, sewer and drainage, road, parks and recreational system for full development of the District. See "RISK FACTORS—Future Debt" and "THE SYSTEM."

THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS

Role of a Developer

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

Neither the Developer nor any of its affiliates, are obligated to pay principal of or interest on the Bonds. Furthermore, the Developer has a binding commitment to the District to carry out any plan of development and may sell or otherwise dispose of its property within the District, or any other assets, at any time, and the furnishing of information relating to Developer should not be interpreted as such a commitment. Prospective Bond 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 boundaries of the District. See "RISK FACTORS."

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

KBRN, LP

The principal developer of approximately 148 acres of land in the District for a master planned, mixed-use urban community development ("East River") is KBRN, LP, a Texas limited partnership (the "Developer"). The principal partners of the Developer are KBRN Investor Partner, LP, a Texas limited partnership ("KBRN Investor Partner"), KBRN Carry Partner, LP, a Texas limited partnership ("KBRN Carry Partner") and Cathexis RE Holdings LP, a Texas limited partnership ("Cathexis") and the general partner is KBRN GP, LLC, a Texas limited liability company ("KBRN GP"). KBRN Investor Partner, KBRN Carry Partner, KBRN GP are affiliates of Midway Companies ("Midway"), a Houston based privately-owned real estate investment, development and construction management firm. Midway Development Group, LLC, a Texas limited liability company ("Midway Development Group") is a wholly owned subsidiary of Midway contracted by KBRN to manage development in East River. The Developer has developed approximately 12 acres of land within the District for office, retail, multi-family residential development and a parking facility and continues to own an aggregate of approximately 106 acres of developable land in the District, of which approximately 43 acres of land in the District is subject to a ground lease with East River Lead Ventures LLC (defined herein) for East River 9, a 9-hole par-3 golf course facility, restaurant, and pickleball facility, and approximately 1 acre is ground leased to a church (which church is exempt from ad valorem taxation). See "TAX DATA—Principal Taxpayers."

The Developer's and its subsidiaries' assets consist of the land along with a 9-hole, par 3 golf course, restaurant and pickleball facility in the District and the receivables due from the District for development costs. The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District, and the description of the Developer's financial arrangements herein should not be construed as an implication to that effect. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION." See "RISK FACTORS—Dependence on Major Taxpayers and the Developer."

The Developer has financed its purchase of land within the District and its development activities thereon with internally generated funds and does not currently have any outstanding loans related to ownership or development of their land within the District.

Certain financial information concerning the Developer is attached hereto as “APPENDIX B—Financial Information Concerning KBRN, LP, a Texas limited partnership.” Neither the Developer nor an affiliated company or subsidiary is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company or subsidiary 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 “APPENDIX B—Financial Statements of KBRN, LP, a Texas limited partnership.

Principal Property Owners

East River Commercial One, LLC, a Texas limited liability company (“East River Commercial One”) is a wholly owned subsidiary of the Developer and owns two, five-story buildings consisting of approximately 136,000 square feet of office facilities and 39,000 square feet of retail facilities on approximately 3 acres of land in the District and two retail pavilions consisting of approximately 12,000 square feet on approximately 0.8 acres of land in the District. East River Commercial One does not own any developable acreage within the District.

East River Residential One, LLC, a Texas limited liability company, is a wholly owned subsidiary of the Developer and owns The Laura, a 359-unit apartment community with 10,000 square feet of ground level retail facilities on approximately 5 acres of land in the District.

East River Garage One, LLC, a Texas limited liability company, is a wholly owned subsidiary of the Developer and owns a 5-story parking garage with 11,000 square feet of retail facilities on approximately 1 acre of land in the District.

East River Warehouses One LLC, a Texas limited liability company, is a wholly owned subsidiary of the Developer and developed “The Studios” at East River consisting of three 2-story 10,000 square foot office buildings on an aggregate of approximately 1 acre of land in the District. East River Partners LLC, a Texas limited liability company wholly owned by partners of OJB Landscape Architecture purchased one of the office buildings for its Houston-based practice.

East River Lead Ventures LLC, a Texas limited liability company, is a co-general partner of the Developer and has a ground lease on approximately 43 acres of land in the District owned by the Developer where East River 9, a 9-hole, par-3 golf course, driving range, restaurant and pickleball facility have been developed. The Developer has ground leased one acre to a church (which church is exempt from ad valorem taxation).

The Port of Houston owns approximately 2 acres of land in the District where construction is underway for development of its new headquarters. The new headquarters will be exempt from ad valorem taxation. Midway Development Group is managing the development and construction on behalf of the Port of Houston.

Anton Paar USA acquired approximately 0.7 acres of land in the District. No construction has commenced on such land as of the date hereof.

No landowner, developer or any of their respective subsidiaries is obligated to pay any principal of or interest on the Bonds. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer,” “THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS” and “TAX DATA— Principal Taxpayers.”

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of six (6) directors, which has control over and management supervision of all affairs of the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires (a)</u>
Adam Joseph Williams	President	June 2023
Kenady Davis	Secretary	June 2023
Dan Lipnick	Director	June 2023
Sakina Lanig	Director	June 2021
Samuel C. Dike	Director	June 2021
Ndukwe Kalu	Director	June 2023

(a) The District has an application pending with the City to reappoint directors whose terms continue to be hold-overs until such reappointment.

District Consultants

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

Co-Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP and Burney Foreman as Co-Bond Counsel to the District in connection with the issuance of the District's Bonds. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Allen Boone Humphries Robinson LLP also serves as general counsel to the District.

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

Auditor: The financial statements of the District as of December 31, 2024, and for the year then ended, included in this offering document, have been audited by McGrath and Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2024 financial statements.

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

Bookkeeper: The District contracts with District Data Services, Inc. (the "Bookkeeper") for bookkeeping services for the District.

Utility System Operator: The operator of the District's water and wastewater system is the City.

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by B&A Municipal Tax Service LLC and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

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

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the City, TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City. The City and the Texas Department of Health also exercise regulatory jurisdiction over the District's water and wastewater system. See "RISK FACTORS—Environmental and Air Quality Regulations."

Water Supply and Wastewater Treatment

All land in the District is located within the corporate limits of the City, and the City provides water supply and wastewater treatment capacity to the District. The District acquires, constructs and extends water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City, conveys title to such utility facilities to the City. The City operates and maintains such facilities, and is responsible for establishing water and sewer rates and collecting charges for water and sewer service within the District. The District purchases capacity in the City's water supply and wastewater treatment facilities by paying an impact fee to the City, and the City provides permanent water supply and wastewater treatment to the land within the District. The City has currently provided capacity for East River, Phase One through payment of impact fees based on requested usage and has provided water supply and wastewater treatment capacity for 883 equivalent single-family residential connections ("ESFCs"). As development in the District expands, the District will purchase additional capacity from the City in the form of impact fees. Bonds may be issued by the District for water, wastewater, and drainage purposes to reimburse the impact fees paid by the Developer for such water supply and wastewater treatment capacity provided by the City. The amount of such impact fees may be changed by the City from time to time and at any time, subject to certain limitations imposed by state law. The City also levies and collects ad valorem taxes on all taxable property within the District just as it does with any other taxable property located in the City.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. Because the District is served by the City with water, the District has no potable water well subject to regulation by the Subsidence District.

Storm Water Drainage Facilities and Flood Plain

The entire District is located in the Buffalo Bayou watershed and drains naturally by way of overland sheet flow, as well as through internal stormwater collection lines, to Buffalo Bayou (HCFCD Unit W100-00-00). Internal stormwater collection lines have been constructed within the District which drains into inlets connected to underground piped drainage systems, which flow to Buffalo Bayou. The drainage systems are owned and operated by the City.

According to the Engineer, approximately 3.6 acres in the southern portion of the District are within the existing 100-year floodplain delineated on the FIRM Panel 48201C0690N (revised January 6, 2017). Approximately 2.4 acres of potentially developable land can be filled with excavation from utility and road spoils, which will require removal from the floodplain, to become developable. According to the Engineer, a portion of the land within Section One of East River was within the 500-year-flood plain according to the Federal Emergency Management ("FEMA") Flood Insurance Rate Map (revised January 6, 2017). Such acreage was removed prior to development from the 500-year flood plain by a FEMA Letter of Map Revision based on fill dated January 14, 2021. See "INVESTMENT CONSIDERATIONS – Extreme Weather Events."

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2024 Certified Taxable Assessed Valuation.....	\$141,654,164	(a)
Estimated Taxable Assessed Valuation as of November 15, 2024.....	\$174,144,608	(b)
2025 Preliminary Taxable Assessed Valuation	\$226,367,176	(c)

Gross Direct Debt Outstanding (the Bonds).....	\$3,100,000	
Estimated Overlapping Debt	<u>3,444,982</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$6,544,982	

Ratios of Gross Direct Debt to:

Estimated Taxable Assessed Valuation as of November 15, 2024.....	1.78%
2025 Preliminary Taxable Assessed Valuation	1.37%

Ratios of Total Gross Direct Debt and Estimated Overlapping Debt to:

Estimated Taxable Assessed Valuation as of November 15, 2024.....	3.76%
2025 Preliminary Taxable Assessed Valuation	2.89%

- (a) As certified by the Harris Central Appraisal District (the "Appraisal District") See "TAXING PROCEDURES."
- (b) As estimated by the Appraisal District as of November 15, 2024, for information purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and therefore this estimate will not be the basis for any tax levy by the District. The 2024 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2024 to November 15, 2024. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District as a preliminary indication of the 2025 taxable value (as of January 1, 2025). Such amount is subject to review and downward adjustment prior to certification. Such amount includes the 2025 preliminary real property value in the amount of \$224,710,495 and the 2024 certified personal property value in the District in the amount of \$1,656,681. No tax will be levied on such amount until it is certified in the fall of 2019. See "TAXING PROCEDURES."
- (d) See "ESTIMATED OVERLAPPING DEBT."

Cash and Investment Balances (unaudited below)

Operating Fund Balance as of June 5, 2025	\$398,102
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Funds Available for Debt Service:

Capitalized Interest from Proceeds of the Bonds (Eighteen (18) Months).....	\$240,413	(a)
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- (a) The District will capitalize eighteen (18) months of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

District Investment Policy

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

ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Outstanding Debt	As of	Overlapping	
			Percent	Amount
Harris County (a)	\$ 2,424,019,039	3/31/2025	0.02%	\$ 509,044
Harris County Flood Control District	968,445,000	3/31/2025	0.02%	213,058
Harris County Hospital District	59,315,000	3/31/2025	0.02%	13,049
Harris County Department of Education	28,960,000	3/31/2025	0.02%	6,082
Port of Houston Authority	406,509,397	3/31/2025	0.02%	89,432
Houston ISD	1,443,670,000	3/31/2025	0.06%	895,075
Houston Community College	396,510,000	3/31/2025	0.05%	198,255
City of Houston	3,537,180,000	3/31/2025	0.04%	1,520,987
Total Estimated Overlapping Debt.....				\$ 3,444,982
The District's Total Direct Debt (b).....				3,100,000
Total Direct and Estimated Overlapping Debt.....				\$ 6,544,982
Total Direct and Estimated Overlapping Debt as a Percentage of:				
Estimated Taxable Assessed Valuation as of November 15, 2024 \$174,144,608				3.76%
2025 Preliminary Taxable Assessed Valuation of \$226,367,176				2.89%

- (a) Excludes the Harris County Toll Road Unlimited Tax Bonds in the principal amount of \$109,470,000. Historically, Harris County has provided for payment of such debt service from toll road revenues and certain other funds and, no ad valorem tax revenue has been required to pay debt service on such bonds.
- (b) Includes the Bonds.

Overlapping Taxes

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

Set forth below is a summary of taxes levied for the 2024 tax year by all entities overlapping the District and the District's 2024 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

<u>Overlapping Taxing Jurisdiction</u>	2024 Tax Rate per \$100 of Taxable Assessed Valuation	
	\$	
Harris County (a).....	\$	0.608689
Houston ISD.....		0.868300
Houston Community College.....		0.096183
East End District.....		0.150000
City of Houston.....		0.519190
Total Overlapping Tax Rate.....	\$	2.242362
The District (b).....		0.250000
Total Tax Rate.....	\$	2.492362

- (a) Includes the Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority.
- (b) See "TAX DATA—Historical Tax Rate Distribution."
- (c)

DISTRICT OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds, but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds.

General Fund Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal year ended December 31, 2024. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended December 31
	2024
Revenues:	
Property Taxes	\$ 274,089
Penalties and Interest	4
Tax Increment Revenues (a)	376,470
Investment Earnings	7,470
Total Revenue	\$ 658,033
Expenditures:	
Professional Fees	\$ 68,285
Contracted Services	32,420
Administrative	184,535
Other	1,308
Total Expenditures	\$ 286,548
NET REVENUES	\$ 371,485
Other Financing Sources	
Developer Advances	\$ 20,000
General Operating Fund	
Balance (Beginning of Year)	\$ (12,188)
General Operating Fund	
Balance (End of Year)	\$ 379,297

- (a) Represents Annual Authority Payment from the Fifth Ward Redevelopment Authority. Such amount includes \$20,742 and \$138,281 paid to the City in connection with administrative fees and affordable housing set-aside payments, respectively. See "THE FIFTH WARD REDEVELOPMENT AUTHORITY."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the Bonds. The schedule below does not reflect that the District will capitalize eighteen (18) months of interest on the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Debt Service on the Bonds		
	Principal	Interest	Total
2026	\$ 60,000	\$ 176,748	\$ 236,748
2027	65,000	156,075	221,075
2028	65,000	151,525	216,525
2029	70,000	146,975	216,975
2030	75,000	142,075	217,075
2031	75,000	136,825	211,825
2032	80,000	131,575	211,575
2033	85,000	125,975	210,975
2034	90,000	120,025	210,025
2035	95,000	114,850	209,850
2036	100,000	110,575	210,575
2037	110,000	106,075	216,075
2038	115,000	101,125	216,125
2039	120,000	95,950	215,950
2040	130,000	90,550	220,550
2041	135,000	84,700	219,700
2042	145,000	78,456	223,456
2043	150,000	71,569	221,569
2044	160,000	64,444	224,444
2045	170,000	56,844	226,844
2046	180,000	48,769	228,769
2047	190,000	40,219	230,219
2048	200,000	30,956	230,956
2049	210,000	21,206	231,206
2050	225,000	10,969	235,969
Total	\$ 3,100,000	\$ 2,415,054	\$ 5,515,054

Maximum Annual Debt Service Requirement (2026)	\$236,748
Average Annual Debt Service Requirements (2026-2050).....	\$220,602

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution 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. The District expects to levy its initial debt service tax rate in 2025. See “RISK FACTORS—Maximum Impact on District Tax Rate” and “TAXING PROCEDURES.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. On May 6, 2017, voters within the District authorized the levy of a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation for maintenance and operation of water, sewer, drainage, and \$0.25 per \$100 taxable assessed valuation for maintenance and operation of road facilities. A maintenance tax, if levied, is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service Tax (a)	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance Tax	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.15</u>	<u>0.15</u>
Total District Tax Rate	\$0.25	\$0.25	\$0.25	\$ 0.15	\$0.15

(a) The District expects to levy its initial debt service tax rate in 2025.

Additional Penalties

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

Historical Tax Collections

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

	Certified Taxable			Total Collections	
	Assessed	Tax	Total	As of May 31, 2025 (a)	
	Valuation	Rate	Tax Levy	Amount	Percent
2020	\$ 41,254,165	\$ 0.15	\$ 61,881	\$ 61,881	100.00%
2021	40,973,969	0.15	61,461	61,461	100.00%
2022	31,608,021	0.25	79,020	79,020	100.00%
2023	118,024,162	0.25	295,060	294,186	99.70%
2024	141,654,164	0.25	354,135	352,966	99.67%

(a) Unaudited.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2020 through 2024 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Accurate breakdowns of the Estimated Taxable Assessed Valuation as of November 15, 2024 and 2025 Preliminary Taxable Assessed Valuation, which is subject to review and significant revision prior to certification, are not available as of the date hereof.

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions	Certified Taxable Assessed Valuation
	Land	Improvements	Personal Property			
2024	38,958,265	101,914,025	1,656,681	142,528,971	(874,807)	141,654,164
2023	37,938,727	79,996,032	601,981	118,536,740	(512,578)	118,024,162
2022	31,606,274	921	182,762	31,789,957	(181,936)	31,608,021
2021	40,756,201	342,190	152,468	41,250,859	(276,890)	40,973,969
2020	40,755,405	334,962	163,798	41,254,165	-	41,254,165

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable assessed value of such property and the percentage of the 2024 Certified Taxable Assessed Valuation attributable to such property as of January 1, 2024. Accurate principal taxpayer lists related to Estimated Taxable Assessed Valuation as of November 15, 2024 and 2025 Preliminary Taxable Assessed Valuation, which is subject to review and significant revision prior to certification, are not available as of the date hereof.

Taxpayer	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
East River Commercial One, LLC (a)(b)	\$ 48,368,075	34.15%
East River Residential One, LLC (a)	43,643,883	30.81%
KBRN, LP (a)(b)(c)	29,143,056	20.57%
East River Garage One, LLC (a)(b)	9,648,025	6.81%
East River Warehouses One, LLC (a)	3,850,000	2.72%
East River Lead Ventures LLC (a)(c)	3,426,316	2.42%
East River Partners, LLC (a)	1,945,860	1.37%
Centerpoint Energy Hou Ele	494,170	0.35%
Method Architecture	383,882	0.27%
Deere Credit Inc	336,261	0.24%
Total	\$ 141,239,528	99.71%

(a) See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS."

(b) According to the Developer, approximately \$4,126,140 of taxable value associated with approximately 10 acres of developable land reflected in the 2024 certified tax rolls as being owned by East River Commercial One, LLC has been retained by the Developer and such taxable value is not reflected under the Developer's ownership in the 2024 certified tax rolls

(c) According to the Developer, taxable value of approximately \$3,426,316 associated with approximately 43 acres of developable land reflected in the 2024 certified tax rolls as being owned by East River Lead Ventures LLC has been retained by the Developer subject to a ground lease with East River Lead Ventures LLC and such taxable value is not reflected under the Developer's ownership in the 2024 certified tax rolls.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the Estimated Taxable Assessed Valuation as of November 15, 2024 of \$174,144,608 or the 2025 Preliminary Taxable Assessed Valuation, of \$226,367,176, which is subject to review and significant revision prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Maximum Impact on District Tax Rate" and "DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2026-2050).....	\$220,602
\$0.15 Tax Rate on Estimated Taxable Assessed Valuation as of November 15, 2024	\$235,095
\$0.11 Tax Rate on 2025 Preliminary Taxable Assessed Valuation.....	\$224,104
Maximum Annual Debt Service Requirement (2026).....	\$236,748
\$0.16 Tax Rate on Estimated Taxable Assessed Valuation as of November 15, 2024	\$250,768
\$0.12 Tax Rate on 2025 Preliminary Taxable Assessed Valuation.....	\$244,477

No representations or suggestions are made that the Estimated Taxable Assessed Valuation as of November 15, 2024 or the 2025 Preliminary Taxable Assessed Valuation provided by the Appraisal District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who

voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

Tax Abatement

Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City 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. See "FIFTH WARD REDEVELOPMENT AUTHORITY."

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax rate increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

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

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more 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, will be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District was designated as a "Developing District" for the 2024 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS."

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinions of Allen Boone Humphries Robinson LLP, Co-Bond Counsel and Burney & Foreman, Co-Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2025.

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

Additional Federal Income Tax Considerations

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount: The issue price of certain maturities of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax Exemption” and “—Additional Federal Income Tax Considerations—Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

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

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

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

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

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to assign a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. (“AG” or the “Insurer”). The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE” and “APPENDIX C.”

There is no assurance that such rating will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG” or the “Insurer”) will issue its municipal bond insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX C to this OFFICIAL STATEMENT.

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

Assured Guaranty Inc.

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

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

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At March 31, 2025:

- The policyholders' surplus of AG was approximately \$3,522 million.
- The contingency reserve of AG was approximately \$1,421 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,416 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025).

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

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

Miscellaneous Matters

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0011% of the principal amount thereof which resulted in a net effective interest rate of 5.082763% as calculated pursuant to Chapter 1204, Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC and Day & Knight Group, LLC are employed as the Co-Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Co-Financial Advisor, Masterson Advisors LLC and Day & Knight Group, LLC have compiled and edited this Official Statement. The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants. Each consultant has agreed or consented to the use of information provided by such firms.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by B&A Municipal Tax Service, LLC and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT,” and “THE SYSTEM” (as it relates to District facilities) has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of December 31, 2024, and for the year then ended, included in this offering document, have been audited by McGrath and Co., PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District's December 31, 2024 financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds; as required, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system

Annual Reports

The District will provide certain financial information and operating data, which is customarily prepared by the District and publicly available annually to the MSRB. The information to be updated includes the quantitative financial information and operating data of the general type included in the District’s audited financial statements and supplemental schedules as found in “APPENDIX A—Independent Auditor’s Report and Financial Statements of the District for the Year Ended December 31, 2024.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025. Any information concerning the District so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial information for the fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report becomes available.

In addition, the District and the Developer have agreed to provide information with respect to the Developer, to any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District and the Developer will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently

certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding. The information to be updated with respect to the Developer includes the information included in "APPENDIX B—Financial Information Concerning KBRN, LP."

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

The Bonds are the first series of bonds to be issued by the District, therefore, the District has not previously entered into a continuing disclosure undertaking agreement.

MISCELLANEOUS

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

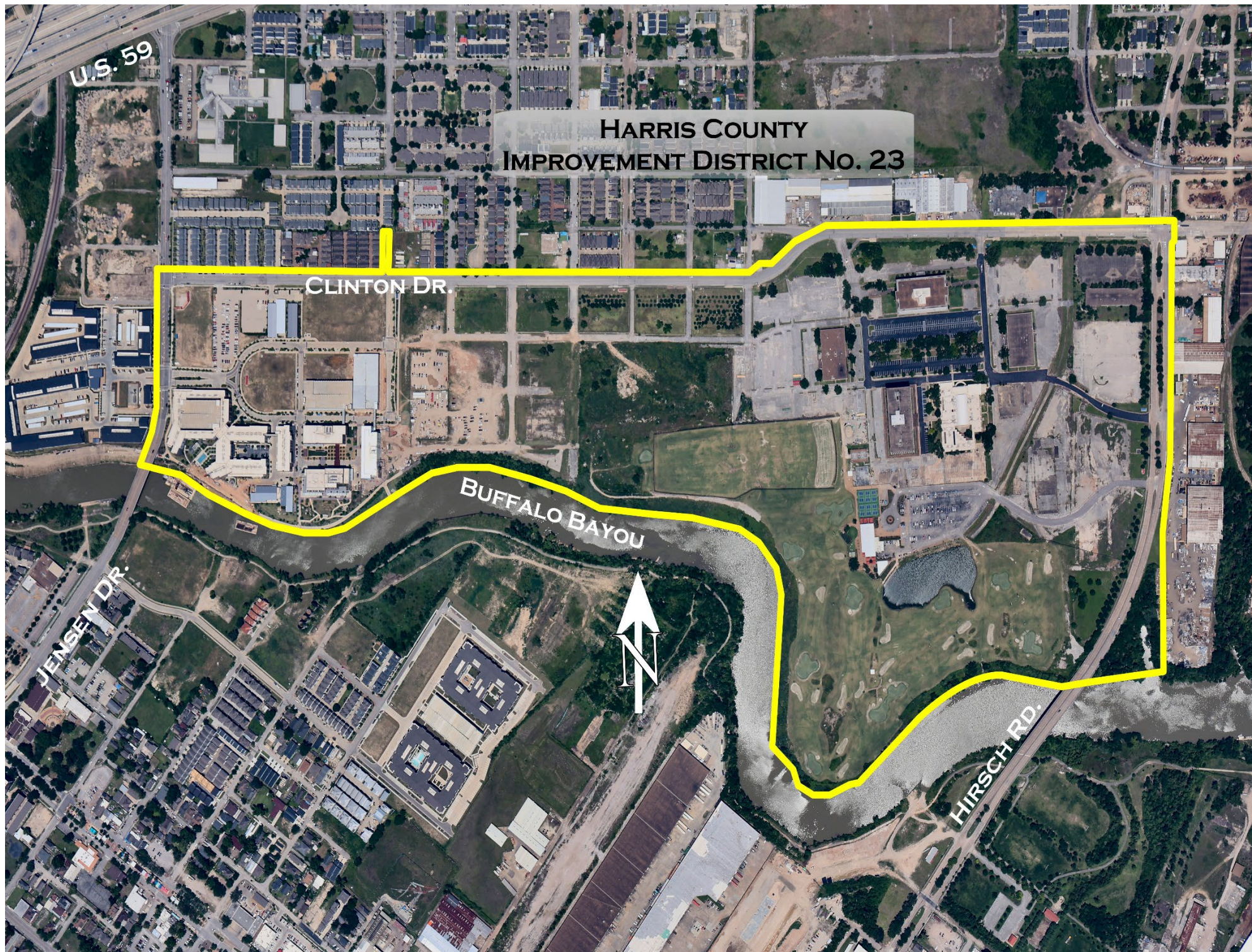
This Official Statement was approved by the Board of Directors of Harris County Improvement District No. 23, as of the date shown on the cover page.

/s/ Dan Lipnick
President, Board of Directors
Harris County Improvement District No. 23

ATTEST:

/s/ Samuel C. Dike
Secretary, Board of Directors
Harris County Improvement District No. 23

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of May 2025)



U.S. 59

HARRIS COUNTY
IMPROVEMENT DISTRICT No. 23

CLINTON DR.

BUFFALO BAYOU



JENSEN DR.

HIRSCH RD.

PHOTOGRAPHS OF THE DISTRICT
(Taken May 2025)













APPENDIX A

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024**

**HARRIS COUNTY IMPROVEMENT
DISTRICT NO. 23**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Harris County Improvement District No. 23

Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Harris County Improvement District No. 23 (the "District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Harris County Improvement District No. 23, as of December 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

***Board of Directors
Harris County Improvement District No. 23
Harris County, Texas***

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.

W. G. Galt & Co, LLC

Houston, Texas
May 1, 2025

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Management's Discussion and Analysis

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***Harris County Improvement District No. 23
Management's Discussion and Analysis
December 31, 2024***

Using this Annual Report

This section of the financial report of Harris County Improvement District No. 23 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements; and
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

***Harris County Improvement District No. 23
Management's Discussion and Analysis
December 31, 2024***

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2024, was negative \$15,325,455. The District's net position is negative because the District incurs debt to construct various facilities which it conveys to other governmental entities. Additionally, the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of December 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 752,786	\$ 323,663
Capital assets	6,860,577	7,024,589
Total assets	<u>7,613,363</u>	<u>7,348,252</u>
Current liabilities	19,168	30,094
Long-term liabilities	22,566,203	9,289,376
Total liabilities	<u>22,585,371</u>	<u>9,319,470</u>
Total deferred inflows of resources	<u>353,447</u>	<u>305,757</u>
Net position		
Net investment in capital assets	(569,450)	7,024,589
Unrestricted	(14,756,005)	(9,301,564)
Total net position	<u>\$ (15,325,455)</u>	<u>\$ (2,276,975)</u>

***Harris County Improvement District No. 23
Management's Discussion and Analysis
December 31, 2024***

The total net position of the District decreased during the current fiscal year by \$13,048,480. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 274,967	\$ 99,125
Tax increment revenues	376,470	
Other	7,470	
Total revenues	<u>658,907</u>	<u>99,125</u>
Expenses		
Current service operations	286,548	125,151
Depreciation	164,012	405,438
Total expenses	<u>450,560</u>	<u>530,589</u>
Change in net position before other item	208,347	(431,464)
Other item		
Transfers to other governments	<u>(13,256,827)</u>	<u>(1,357,099)</u>
Change in net position	(13,048,480)	(1,788,563)
Net position, beginning of year	(2,276,975)	(488,412)
Net position, end of year	<u><u>\$ (15,325,455)</u></u>	<u><u>\$ (2,276,975)</u></u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund, as of December 31, 2024, was \$379,297. A comparative summary of the General Fund's financial position as of December 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u><u>\$ 752,786</u></u>	<u><u>\$ 323,663</u></u>
Total liabilities	\$ 19,168	\$ 30,094
Total deferred inflows	354,321	305,757
Total fund balance	379,297	(12,188)
Total liabilities, deferred inflows and fund balance	<u><u>\$ 752,786</u></u>	<u><u>\$ 323,663</u></u>

***Harris County Improvement District No. 23
Management's Discussion and Analysis
December 31, 2024***

A comparative summary of the General Fund's activities for the current and prior fiscal year (unaudited) is as follows:

	2024	2023
Total revenues	\$ 658,033	\$ 99,125
Total expenditures	(286,548)	(125,151)
Revenues over/(under) expenditures	371,485	(26,026)
Other changes in fund balance	20,000	
Net change in fund balance	\$ 391,485	\$ (26,026)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, tax increment revenues and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2023 levy was recognized as revenues in the 2024 fiscal year, while the 2022 levy was recognized in the 2023 fiscal year (to the extent that these amounts were collected). Property tax revenue increased from prior year because assessed values increased from prior year.
- Tax increment revenues received from the Fifth Ward Redevelopment Authority under a Interlocal Development Agreement are dependent on the property taxes collected each year by the City of Houston. The District received its first annual payment during the current year.
- The District's developer advances advance funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$285,012 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

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

***Harris County Improvement District No. 23
Management's Discussion and Analysis
December 31, 2024***

Capital assets held by the District at December 31, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 1,131,959	\$ 1,131,959
Capital assets being depreciated		
Infrastructure	5,432,091	5,432,091
Landscaping and improvements	865,977	865,977
	<u>6,298,068</u>	<u>6,298,068</u>
Less accumulated depreciation		
Infrastructure	(482,852)	(362,139)
Landscaping and improvements	(86,598)	(43,299)
	<u>(569,450)</u>	<u>(405,438)</u>
Depreciable capital assets, net	<u>5,728,618</u>	<u>5,892,630</u>
Capital assets, net	<u>\$ 6,860,577</u>	<u>\$ 7,024,589</u>

Additionally, certain facilities constructed by the District are conveyed to the other governmental entities. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended December 31, 2024, capital assets in the amount of \$13,256,827 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of December 31, 2024, the District owes approximately \$22,566,203 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$6,097,000 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At December 31, 2024, the District had \$384,750,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$480,300,000 for recreational facilities and the refunding of such bonds; \$936,150,000 for road improvements and the refunding of such bonds, \$679,350,000 for parking facilities and the refunding of such bonds, \$192,900,000 for navigation facilities and for the refunding of such bonds, and \$93,300,000 for economic development purposes and the refunding of such bonds.

***Harris County Improvement District No. 23
Management's Discussion and Analysis
December 31, 2024***

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 658,033	\$ 353,952
Total expenditures	(286,548)	(164,830)
Revenues over expenditures	371,485	189,122
Other changes in fund balance	20,000	
Net change in fund balance	391,485	189,122
Beginning fund balance	(12,188)	379,297
Ending fund balance	\$ 379,297	\$ 568,419

Basic Financial Statements

Harris County Improvement District No. 23
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2024

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 83,389	\$ -	\$ 83,389
Investments	315,916		315,916
Taxes receivable	353,481		353,481
Capital assets not being depreciated		1,131,959	1,131,959
Capital assets, net		5,728,618	5,728,618
Total Assets	<u>\$ 752,786</u>	<u>6,860,577</u>	<u>7,613,363</u>
Liabilities			
Accounts payable	\$ 19,168		19,168
Due to developer		22,566,203	22,566,203
Total Liabilities	<u>19,168</u>	<u>22,566,203</u>	<u>22,585,371</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>354,321</u>	<u>(874)</u>	<u>353,447</u>
Fund Balance/Net Position			
Fund Balance			
Unassigned	<u>379,297</u>	<u>(379,297)</u>	
Total Fund Balance	<u>379,297</u>	<u>(379,297)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 752,786</u>		
Net Position			
Net investment in capital assets		(569,450)	(569,450)
Unrestricted		(14,756,005)	(14,756,005)
Total Net Position		<u>\$ (15,325,455)</u>	<u>\$ (15,325,455)</u>

See notes to basic financial statements.

Harris County Improvement District No. 23**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2024**

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 274,089	\$ 874	\$ 274,963
Penalties and interest	4		4
Tax increment revenues	376,470		376,470
Investment earnings	7,470		7,470
Total Revenues	<u>658,033</u>	<u>874</u>	<u>658,907</u>
Expenditures/Expenses			
Operating and administrative			
Professional fees	68,285		68,285
Contracted services	32,420		32,420
Administrative	184,535		184,535
Other	1,308		1,308
Depreciation		164,012	164,012
Total Expenditures/Expenses	<u>286,548</u>	<u>164,012</u>	<u>450,560</u>
Revenues Over Expenditures/ Expenses	371,485	(163,138)	208,347
Other Financing Sources			
Developer advances	20,000	(20,000)	
Other Items			
Transfers to other governments		(13,256,827)	(13,256,827)
Net Change in Fund Balance	391,485	(391,485)	
Change in Net Position		(13,048,480)	(13,048,480)
Fund Balance/Net Position			
Beginning of the year, as reported	(12,188)	(2,264,787)	(2,276,975)
End of the year	<u>\$ 379,297</u>	<u>\$ (15,704,752)</u>	<u>\$ (15,325,455)</u>

See notes to basic financial statements.

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Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Improvement District No. 23 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Senate Bill No. 690, 83rd Legislature, Regular Session, later codified as Chapter 3910, Texas Special District Local Laws Code, dated April 24, 2013, and operates in accordance with Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, as well as Chapter 375, Texas Local Government Code and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting February 14, 2017.

The District was established to facilitate the economic development of land within its boundaries, to promote economic development, safety and public welfare through the construction, maintenance and operation of (1) water, sewer and drainage facilities, (2) roads and road improvements, (3) recreational facilities, (4) parking facilities, (5) navigational facilities, and (6) economic development. The District transfers certain facilities to other governmental entities upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by a Board of Directors of up to nine members appointed by the City of Houston (the “City”). The Board has the authority to levy taxes, set rates, issue bonds and establish a budget without approval by another governmental entity. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate and be fiscally independent of other governments. Since the District does not have an elected governing body, it is not a primary government. A component unit is a legally separate government for which the elected officials of a primary government are financially accountable. The criteria used to determine financial accountability is whether the primary government appoints a voting majority of the component unit’s governing body and (1) is able to impose its will on the component unit or (2) the component unit creates a financial benefit/burden for the primary government. While the City appoints the Directors of the District, it has no further financial accountability for the District. Under these criteria, the District is not a component unit of the City or any other governmental entity. Another stand-alone government is an entity that does not have a separately elected governing body and is not a component unit of another government. For financial reporting purposes, the District is another stand-alone government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal revenue sources are property taxes, tax increment revenues and developer advances. Expenditures include costs associated with the daily operations of the District.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

Capital Assets

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

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

Depreciable capital assets, which primarily consist of infrastructure and landscaping and improvements are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Landscaping and improvements	20 years

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2024 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2024 property tax levy, which was levied to finance the 2025 fiscal year.

Net Position – Governmental Activities

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

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

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund

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

Use of Estimates

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

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	379,297	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Historical cost	\$	7,430,027	
Less accumulated depreciation		<u>(569,450)</u>	
			6,860,577
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .			
			(22,566,203)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable, as well as collections of the District's 2024 property tax levy. In the <i>Statement of Net Position</i> , deferred inflows consist of the entire 2024 property tax levy.			
Fund level deferred property taxes		354,321	
Government wide level deferred property taxes		<u>(353,447)</u>	
			874
Total net position - governmental activities	\$	<u><u>(15,325,455)</u></u>	

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

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

Net change in fund balances - total governmental funds	\$ 391,485
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	874
---	-----

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

Transfers to other governments	\$ (13,256,827)	
Depreciation expense	<u>(164,012)</u>	
		(13,420,839)

Amounts received from developer within the District for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(20,000)
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Change in net position of governmental activities	<u><u>\$ (13,048,480)</u></u>
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Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. This new guidance had no effect on the District’s financial statements during the current fiscal year.

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

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

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

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

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

As of December 31, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexasCLASS	General	\$ 315,916	AAAm	46 days

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2024, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,131,959	\$ -	\$ 1,131,959
Capital assets being depreciated			
Infrastructure	5,432,091		5,432,091
Landscaping and improvements	865,977		865,977
	<u>6,298,068</u>		<u>6,298,068</u>
Less accumulated depreciation			
Infrastructure	(362,139)	(120,713)	(482,852)
Landscaping and improvements	(43,299)	(43,299)	(86,598)
	<u>(405,438)</u>	<u>(164,012)</u>	<u>(569,450)</u>
Subtotal depreciable capital assets, net	<u>5,892,630</u>	<u>(164,012)</u>	<u>5,728,618</u>
Capital assets, net	<u>\$ 7,024,589</u>	<u>\$ (164,012)</u>	<u>\$ 6,860,577</u>

Depreciation expense for the current fiscal year was \$164,012.

Note 6 – Due to Developer

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

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 9,289,376
Developer funded construction and adjustments	13,256,827
Operating advances from developer	20,000
Due to developer, end of year	<u>\$ 22,566,203</u>

In addition, the District will owe its developer approximately \$6,097,000, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
East River, Section 1 - emergency bulkhead	\$ 6,097,000	17%

Note 7 – Long-Term Debt

At December 31, 2024, the District had authorized but unissued bonds in the amount of \$384,750,000 for water, sewer and drainage facilities and the refunding of such bonds; \$480,300,000 for recreational facilities and for the refunding of such bonds; \$936,150,000 for road improvements and the refunding of such bonds, \$679,350,000 for parking facilities and the refunding of such bonds, \$192,900,000 for navigation facilities and the refunding of such bonds, and \$93,300,000 for economic development purposes and the refunding of such bonds.

Note 8 – Property Taxes

On May 6, 2017, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.25 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$295,060 on the adjusted taxable value of \$118,024,162

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2024 levy

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

collections in the amount of \$841 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2024 tax levy of 353,447 is reported as deferred inflows. These amounts will be recognized as revenue in 2025.

Property taxes receivable, at December 31, 2024, consisted of the following:

Current year taxes receivable	\$ 352,607
Prior years taxes receivable	874
Property taxes receivable	<u>\$ 353,481</u>

Note 9 – Transfers to Other Governments

The District transfers certain facilities to other governmental entities. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2024, the District reported transfers to other governments in the amount of \$13,256,827 for projects completed and transferred to the City.

Note 10 – Interlocal Development Agreement with Fifth Ward Redevelopment Authority

On December 10, 2020, the District and the Fifth Ward Redevelopment Authority (the "Authority") entered into an Interlocal Development Agreement to reimburse the District for funds paid by or on behalf of the District for the financing, acquiring, designing, developing and constructing of certain public improvements (the "Public Improvements Costs") located within the boundaries of the District (the "Project Area"). The Authority has determined that the Public Improvements Costs are eligible under the Project Plan and Reinvestment Zone Financing Plan (the "Project and Financing Plan") as amended by the Third Amended Project Plan and Reinvestment Zone Plan adopted on December 4, 2019.

Per the Agreement, the Authority will make annual payments to the District equal to 85% of the Project Tax Increment received by the City of Houston (the "City"). The Project Tax Increment is the amount of ad valorem property taxes collected each year by the City on the Annual Project Captured Appraised Value less a proportionate share of the funds required to pay City administrative fees, City affordable housing set-aside payments, City Municipal Services fees, and any other administrative fees that are applicable to the Project Area. The Annual Project Captured Appraised Value is the total taxable appraised value of all real property located in the Project Area as of January 1, using the August certified rolls of that year, less the total taxable appraised value of all real property located in the Project Area as of January 1, 2020 (the base year value).

The Annual Authority payments are limited to the Maximum Reimbursement amount, which is the lesser of the Public Improvement Costs, or the initial \$25,000,000, which will increase by an additional \$25,000,000 for each \$500,000,000 increase in the cumulative project appraised value, up to a maximum aggregate amount of 85% of each annual Project Tax Increment through the end of the

Harris County Improvement District No. 23
Notes to Financial Statements
December 31, 2024

term. The Annual Authority Payment is due each year and payable to the District within 30 calendar days of the Authority's receipt of the Project Tax increment payment from the City beginning in 2021.

The District agrees to fully fund all costs required for the contracts entered in connection with the Public Improvements and to manage their construction. The District shall deposit the annual authority payments into a project revenue fund and use the monies only to pay public improvement costs. The Term of this Agreement commences on December 10, 2020, the effective date, and terminates upon the earlier of December 31, 2049, or the date on which the maximum reimbursement amount has been paid to the District. During the current year, the District received \$376,470 pursuant to the agreement.

Note 11 – Risk Management

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

Note 12 – Concentration of Risk

Approximately 83% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for the General Fund, the ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

Harris County Improvement District No. 23

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 288,088	\$ 274,089	\$ (13,999)
Penalties and interest		4	4
Tax increment revenues		376,470	376,470
Investment earnings		7,470	7,470
Total Revenues	288,088	658,033	369,945
Expenditures			
Current service operations			
Professional fees	125,000	68,285	56,715
Contracted services	26,000	32,420	(6,420)
Administrative	30,415	184,535	(154,120)
Other	200	1,308	(1,108)
Total Expenditures	181,615	286,548	(104,933)
Revenues Over Expenditures	106,473	371,485	265,012
Other Financing Sources			
Developer advances		20,000	20,000
Net Change in Fund Balance	106,473	391,485	285,012
Fund Balance			
Beginning of the year	(12,188)	(12,188)	
End of the year	<u>\$ 94,285</u>	<u>\$ 379,297</u>	<u>\$ 285,012</u>

Harris County Improvement District No. 23
Notes to Required Supplementary Information
December 31, 2024

Budgets and Budgetary Accounting

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

APPENDIX B

FINANCIAL INFORMATION CONCERNING KBRN, LP

KBRN, LP, a Texas limited partnership, (“KBRN, LP”) has delivered the financial information (the financial information is not covered by an auditor’s report) included in this APPENDIX B (the “Financial Information”) to the District for publication in connection with the District’s offer and sale of Bonds. The Financial Information has been included herein solely as additional information concerning KBRN, LP, its financial condition and source of funds. Such Financial Information is relevant, among other reasons, to the ability of KBRN, LP to continue developing its property within the District and to pay ad valorem taxes thereon. KBRN, LP is not responsible for, liable for, and has not made any commitment for the payment of the Bonds or any other obligations of the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. KBRN, LP has no legal commitment to the District or holders of the Bonds to continue development of its land within the District and KBRN, LP may sell or otherwise dispose of its property within the District, or any of its other assets, at any time. Further, the financial condition of KBRN, LP is subject to change, and no financial information concerning KBRN, LP will be provided by the District after the sale of the Bonds, other than as described in “CONTINUING DISCLOSURE OF INFORMATION—Annual Reports.” Therefore, the District cautions that the Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds or of any other securities proposed to be issued by the District. KBRN, LP represented to the District that the Financial Information has been prepared from its books and records, is in conformity with generally accepted accounting principles, fairly represents the financial condition of KBRN, LP as of the dates indicated and does not fail to disclose any material fact or omit to state any material facts necessary to make such Financial Information not misleading, and that there has not been any material adverse change in the financial condition of KBRN, LP since the dates at which the Financial Information is presented.

KBRN, LP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024

KBRN, LP
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Partners
KBRN, LP
Houston, Texas

We have reviewed the accompanying consolidated financial statements of KBRN, LP, which comprise the balance sheet as of December 31, 2024, and the related consolidated statements of operations, changes in partnership equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of KBRN, LP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matter

The accompanying Parent-Only Balance Sheet and Parent-Only Statement of Operations information is presented for purposes of additional analysis and is not a required part of the basic consolidated 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 consolidated financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic consolidated financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Crowe LLP

Crowe LLP

Houston, Texas
May 30, 2025

KBRN, LP
CONSOLIDATED BALANCE SHEET
December 31, 2024

ASSETS

Real estate properties, net	\$ 185,448,747
Assets held for sale	73,786,271
Cash	4,012,753
Restricted cash	1,469,107
Tenants receivable, net	375,330
Straight-line rent receivable	1,971,957
Advances to Harris County Improvement District No. 23	28,572,333
Other receivables and prepaids	672,988
Interest rate cap contract	91,782
Deferred leasing costs, net	<u>3,955,176</u>

TOTAL ASSETS	<u><u>\$ 300,356,444</u></u>
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LIABILITIES AND PARTNERSHIP EQUITY

Liabilities

Notes payable	\$ 79,516,142
Accounts payable	1,153,660
Accrued expenses and other liabilities	6,245,806
Accrued interest	422,033
Payable to related party	35,357
Deferred revenues	476,295
Security deposit liabilities	<u>432,456</u>

Total liabilities	88,281,749
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Partnership equity	<u>212,074,695</u>
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TOTAL LIABILITIES AND PARTNERSHIP EQUITY	<u><u>\$ 300,356,444</u></u>
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See notes to consolidated financial statements.

KBRN, LP
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2024

Revenues	
Rental revenues	\$ 6,280,052
Fees and other income	<u>251,027</u>
Total revenues	6,531,079
Operating expenses	
Personnel costs	891,296
Contract services	769,183
Insurance	742,646
Utilities	624,179
Repairs and maintenance	532,399
Depreciation	2,940,176
Advertising and marketing	347,034
Management fees	299,558
Communication and technology	146,208
Amortization	130,592
Taxes	3,162,290
Other general and administrative	<u>1,987,518</u>
Total operating expenses	<u>12,573,079</u>
Loss from operations	(6,042,000)
Other expense (income)	
Interest expense	3,656,956
Unrealized loss on interest rate cap contract	266,218
Gain on sale of assets	(622,185)
Others	<u>2,866</u>
	<u>3,303,855</u>
NET LOSS	<u>\$ (9,345,855)</u>

See notes to consolidated financial statements.

KBRN, LP
CONSOLIDATED STATEMENT OF PARTNERSHIP EQUITY
For the Year Ended December 31, 2024

BALANCE AT JANUARY 1, 2024	\$ 204,878,170
Contributions	19,094,003
Distributions	(2,551,623)
Net loss	<u>(9,345,855)</u>
BALANCE AT DECEMBER 31, 2024	<u>\$ 212,074,695</u>

See notes to consolidated financial statements.

KBRN, LP
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

Cash flows from operating activities	
Net loss	\$ (9,345,855)
Adjustments to reconcile net loss from net cash from operating activities:	
Depreciation and amortization	3,070,768
Bad debts expense	395,226
Unrealized loss on interest rate cap contract	266,218
Straight-line rent receivable	(1,479,392)
Gain on sale of land	(622,185)
Change in operating assets and liabilities:	
Tenants receivable	(386,202)
Other receivables and prepaids	(207,856)
Accounts payable	(5,596,736)
Accrued expenses	(11,517,367)
Accrued interest	422,033
Payable to related party	35,357
Deferred revenues	364,020
Security deposit liabilities	169,546
Net cash from operating activities	<u>(24,432,425)</u>
Cash flows from investing activities	
Proceeds from sale of land	2,551,623
Capital additions and improvements	(12,229,709)
Advances to Harris County Improvement District No. 23	(3,454,561)
Payments on leasing costs	(1,788,527)
Net cash from investing activities	<u>(14,921,174)</u>
Cash flows from financing activities	
Contributions	19,094,003
Distributions	(2,551,623)
Proceeds from notes payable	24,902,728
Interest cap contract paid	(358,000)
Net cash from financing activities	<u>41,087,108</u>
Net change in cash and restricted cash	1,733,509
Cash and restricted cash, beginning of year	<u>3,748,351</u>
Cash and restricted cash, end of year	<u><u>\$ 5,481,860</u></u>
Supplemental cash flow information:	
Interest paid, net	\$ 9,321,193
Noncash activities:	
Asset management fee capitalized as loan principal and construction in-progress	\$ 30,000
Reclass of completed building to assets held for sale	\$ 7,644,692
Construction costs in accounts payable and accrued expenses	\$ 1,391,592
Lease costs in accrued expenses	\$ 1,355,922

See notes to consolidated financial statements.

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 – ORGANIZATION AND OPERATIONS

KBRN, LP (KBRN) is a Texas limited partnership formed for the purpose of acquiring, financing, developing, constructing, improving, managing, leasing or selling, directly or indirectly through its subsidiaries, certain real properties which include multifamily apartment, commercial buildings, warehouse and garage. It was formed on May 6, 2016, commenced operations in January 2023, and shall continue existence until it is dissolved and terminated pursuant to the terms of its Limited Partnership Agreement (the “Partnership Agreement”). The General Partner of KBRN is KBRN GP, LLC (the “General Partner”), a Texas limited liability company.

KBRN wholly owns the following subsidiaries:

East River Residential One, LLC (ER Residential) is a Texas limited liability company formed on November 25, 2019 solely for the acquisition, ownership, financing, entitlement, development, redevelopment, operation, and management of certain multifamily apartment complex and complimentary retail space located in the master-planned, mixed-use project known as East River. ER Residential started commercial operations in January 2024.

East River Commercial One, LLC (ER Commercial) is a Texas limited liability company formed on November 25, 2019. It owns an office building with approximately 129,300 square feet of leasable office space and with complementary retail covering approximately 61,500 square feet of leasable space. ER Commercial started commercial operations in August 2023.

East River Garage One, LLC (ER Garage) is a Texas limited liability company formed on November 25, 2019 solely for the acquisition, ownership, financing, entitlement, development, redevelopment, operation, and management of certain multi-level parking garage with complementary retail space located in the master-planned, mixed-use project known as East River. ER Garage started commercial operations in August 2023.

East River Warehouse One, LLC (ER Warehouse) is a Texas limited liability company formed on June 11, 2021 solely for the acquisition, ownership, financing, entitlement, development, redevelopment, operation, and management of certain warehouse facility located in the master-planned, mixed-use project known as East River.

All of the properties are located in Houston, Texas.

KBRN is also a “carry-member” in East River Lead Ventures, LLC (ERLV), a Texas limited liability company formed in April 22, 2019, which is involved in the real estate development, specifically within the East River mixed-used development in Houston, Texas. It operates the Riverhouse project, a full restaurant and bar that anchors a public nine-hole, par three golf course. KBRN has no investment and is not required to contribute and does not share in losses of ERLV. The managing member of ERLV is C&F Group Holdings, LLC.

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Consolidation: The consolidated financial statements include the accounts of KBRN and its wholly-owned subsidiaries (collectively, the “Partnership”), in which KBRN has a controlling interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results may differ from those estimates.

Real Estate Properties, net: Real estate properties consist of land, building, furniture and fixtures and construction in-progress. Land is stated at cost and depreciable real estate assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the lives of the assets as follows:

Land improvements	15 years
Buildings	39 years
Tenant improvements	9-10 years
Furniture and equipment	10 years

All direct and indirect costs of development are capitalized during the development period and capitalized or expensed, as appropriate, when buildings are completed and ready for occupancy. Real estate taxes incurred during construction periods are capitalized. Interest costs are capitalized during construction periods of active construction for qualified expenditures based upon effective interest rates in place during the construction period until construction is substantially complete.

For financial reporting purposes, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. To the extent an impairment has occurred, the excess of carrying value of the property over its estimated fair value will be charged to operations. As of December 31, 2024, the Partnership conducted its regular assessment of long-lived assets, which consist mainly of real estate properties, for indicators of impairment. Based on this evaluation, the Partnership concluded that there were no events or changes in circumstances that would indicate the carrying amounts of the real estate properties are not recoverable. Accordingly, no impairment losses were recognized for the period ended December 31, 2024.

Long-Lived Assets Held for Sale/Disposal – Long-lived assets to be disposed of are classified as held for sale or held for disposal in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell/dispose the asset;
- The asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets;
- An active program to locate a buyer and complete the plan have been initiated;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale of the asset is probable, and transfer of the asset is expected to qualify as a completed sale within one year from the date of classification; and
- Actions required to complete the plan should indicate that is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Concurrent with this classification, the asset is recorded at the lower of cost or fair value, less estimated selling costs, and depreciation ceases.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets held for sale consist of the following at December 31, 2024:

KBRN land	\$ 66,141,579
ER Warehouse land	1,701,896
ER Warehouse land improvements	491,416
ER Warehouse building	<u>5,451,380</u>
Total assets held for sale	<u>\$ 73,786,271</u>

During 2024, KBRN sold a parcel of land for approximately \$2,550,000, net of closing costs, and recognized a gain of approximately \$620,000 as shown in the other income (expense) of the consolidated statement of operations.

Cash and Cash Equivalents: The Partnership considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. There was no cash equivalent at December 31, 2024.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheet to the total of the same amounts as shown in the consolidated statement of cash flows:

Cash and restricted cash consisted of:

Cash	\$ 4,012,753
Restricted	<u>1,469,107</u>
Total cash and restricted cash	<u>\$ 5,481,860</u>

Restricted Cash: Restricted cash is generally comprised of lender-required reserve deposits for real estate taxes, property insurance, tenanting costs, and capital improvements, as well as cash representing tenant security deposits and others.

Accounts Receivable, net: Accounts receivable is generally comprised of outstanding amounts due from tenants under the terms of their leases, and is presented net of any estimated collection loss. As of December 31, 2024, the balance of the straight-line rent receivable was approximately \$1,900,000. This amount represents the portion of lease income that has been recognized for accounting purposes but is not yet billable under the lease terms. The allowance for estimated collection losses was approximately \$390,000 as of December 31, 2024.

Prepaid Expenses: Prepaid expenses generally relate to prepaid insurance expenses that will be recognized as expense over the following year.

Derivative and Hedging Instruments: The Partnership recognizes all derivatives as either an asset or liability in the accompanying consolidated balance sheet and measures the derivatives at fair value. The fair value of derivative instruments is based on a discounted cash flow analysis. The analysis reflects the contractual terms of the derivative instruments, including the period to maturity and uses observable, market-based inputs, including interest rate curves and implied volatilities. Changes in the fair value of the derivative instruments are reported as a component of unrealized gains and losses on hedging activities in the accompanying consolidated statement of operations (see Note 6). As of December 31, 2024, the Partnership's derivatives are measured at fair value and were derived using primarily Level 2 inputs.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table sets forth the Partnership's derivative financial instruments that were accounted for at fair value on a recurring basis as of December 31, 2024:

Beginning balance	\$ -
Paid for interest rate cap contract	358,000
Unrealized loss	<u>(266,218)</u>
Ending balance	<u>\$ 91,782</u>

Deferred Leasing Costs, net: The costs directly associated with obtaining the property's tenants have been deferred and will be amortized on the straight-line basis over the term of the related lease when it commences.

Notes Payable: Notes payable are recorded based on the amount at which the liabilities could be settled (either transferred or repaid) based on contractual terms, exclusive of direct transaction costs.

Asset Retirement Obligations: The Partnership has evaluated any potential asset retirement obligations, including those related to disposal of asbestos containing materials and environmental remediation liabilities. The Partnership recognizes the fair value of such obligations in the period incurred if a reasonable estimate of fair value can be determined. No such liabilities have been identified as of December 31, 2024.

Fair Value of Financial Instruments: U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Partnership's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value, if any, is that of the partners rather than the Partnership.

The Partnership estimates fair value of financial instruments based on the discounting of future cash flows using current market information. The Partnership's financial instruments, principally accounts receivable, restricted cash, accounts payable and other working capital items are short term in nature and their carrying values approximate their fair values as of December 31, 2024.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition: Lease income is recorded in accordance with the contractual terms of the lease agreement and in accordance with US GAAP, which is on a straight-line basis over the life of the lease. Expense recoveries are recognized as revenue in the period in which the costs are incurred. Lease termination fees are recognized when the fees are determinable, tenant vacancy has occurred, and collectability is reasonably assured. Interest income is accrued as earned. Operating expenses are recognized as incurred.

Profit or loss on real estate sales transactions is not recognized by the full accrual method until (a) a sale is consummated, (b) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property, (c) the Partnership's receivable is not subject to future subordination, and (d) the Partnership has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial, continuing involvement with the property.

Concentration of Credit Risk: The Partnership places its cash in high-credit financial institutions. However, a portion of cash typically exceeds Federal Deposit Insurance Corporation (FDIC) insured levels. The Partnership has not experienced any losses in such accounts to date.

The Partnership conducts all business in Houston, Texas and, accordingly, the market value of commercial real estate is susceptible to changes in market conditions that may occur in this location.

Income Taxes: No provision has been made for federal income taxes with respect to the Partnership since the liability for such taxes, is the partners' responsibility.

The margin tax applies to legal entities conducting business in Texas. The margin tax is based on Texas sourced taxable margin. The tax is calculated by applying a tax rate to a base that considers both revenues and expenses. The Partnership recorded margin tax of approximately \$14,400 which is included in taxes in the consolidated statement of operations.

Risks and Uncertainties: In the normal course of business, the Partnership encounters economic risk, including interest rate risk, credit risk and market risk.

NOTE 3 – REAL ESTATE PROPERTIES, NET

Real estate properties consisted of the following at December 31, 2024:

Land	\$ 24,898,759
Land improvements	2,212,829
Buildings	125,112,292
Tenant improvements	6,493,171
Furniture and equipment	5,821,935
Construction in-progress	<u>36,794,765</u>
	201,333,751
Less: accumulated depreciation and impairment	<u>(15,885,004)</u>
Total real estate properties, net	<u>\$ 185,448,747</u>

Depreciation expense during the year was \$2,940,176.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 – DEFERRED LEASING COSTS, NET

The Partnership engaged several real estate brokers in connection with identifying and procuring tenants to occupy the buildings. Deferred leasing costs consisted of the following:

Deferred leasing costs	\$ 4,085,768
Less: accumulated amortization	<u>(130,592)</u>
Total deferred leasing costs, net	<u>\$ 3,955,176</u>

Amortization expense during the year was \$130,592.

NOTE 5 – NOTES PAYABLE

Notes payable consisted of the following at December 31, 2024:

Entity	Balance December 31, 2024	Interest Rate		Term	Repayment Terms		
		Stated	Actual December 31, 2024		Current Maturity	Extension Options ^(b)	Final Maturity
ER Residential	\$ 46,382,514	SOFR + 2.50%	7.05%	Interest only	10/22/2025	2	10/22/2027
ER Warehouse	2,171,751	Ameribor Term- 30 + 3%	7.41%	Interest + Principal	8/11/2025		8/11/2025
ER Commercial & ER Garage	<u>30,961,877</u>	(a)	8.84%	Interest + AMF	11/12/2025	2	11/12/2027
Balance	<u>\$ 79,516,142</u>						

^(a) Interest rate is the lesser of (a) the maximum lawful rate, or (b) the greater of (i) the Minimum Rate, or (ii) the Adjusted SOFR Rate plus 4.35%, or, if applicable the Alternative Rate plus the Alternative Spread, as provided in the Amended and Restated Promissory Note.

^(b) Loan extension conditions include meeting certain financial ratios such as loan-to-value, debt service coverage and debt yield, pay extension fee and deliver an acceptable interest rate cap.

The above loans are secured by first liens on the associated real estate, assignment of rents and contracts, maintenance of reserves for interest, property tax and insurance, replacement reserve and others. These loans are guaranteed by Midway Risknet Partners I, LP, a related party.

The note payable balance of ER Commercial and ER Garage included capitalized asset management fee of \$30,000 and interest of approximately \$1,90,000, when the fees are paid using the loan proceeds.

The Loan Agreements and other documents related to the Partnership's notes payable require compliance with certain covenants. The Partnership and its subsidiaries were in compliance with all such covenants as of December 31, 2024.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6 – INTEREST RATE DERIVATIVE AND HEDGING INSTRUMENTS

Risk Management Objectives and Strategies

The Partnership is exposed to certain risks arising from both its business operations and economic conditions. These risks are principally managed through its core business activities; however, in the normal course of business the Partnership or its subsidiaries utilizes derivative financial instruments to manage or hedge certain of these risks. At this time, derivative instruments are utilized to manage, or hedge, the Partnership's exposure to interest rate risk arising as a result of certain financing activities and consists of interest rate cap agreements. The Partnership does not utilize derivative financial instruments for speculative or trading purposes.

Effect on the Partnership's Asset, Liabilities and Partnership Equity and Financial Performance

The Partnership determines the fair value of its derivative instrument on a periodic basis and records the fair value of this instrument as an asset or liability in the accompanying consolidated balance sheet with change in the fair value presented as an unrealized gain and loss from hedging activities in the accompanying consolidated statement of operations.

NOTE 7 – ALLOCATION OF NET INCOME OR LOSS

The Partnership Agreement's Section 5.2 provides for the allocation of net profit or net loss, to ensure that allocations are aligned with the economic arrangements and capital balance of the partners.

The general partner does not share in profits and losses unless it contributes capital. The general partner shall not receive any fees or other compensation for its services, except as provided in the Partnership Agreement or in the Master Development Agreement (see Note 9).

NOTE 8 – LEASES

All tenant leases are classified as operating leases and provide for fixed minimum rent and may require reimbursement of certain operating costs.

The approximate minimum lease payments to be received in the future by the ER Commercial under operating lease agreements are as follows:

For the Year Ending December 31,	Amount
2025	\$ 2,840,410
2026	2960635
2027	3,033,136
2028	3,098,464
2029	3,169,044
Thereafter	<u>14,434,670</u>
Total	<u>\$ 29,536,359</u>

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9 – RELATED PARTY TRANSACTIONS

On April 1, 2021, ERLV entered into a ground lease agreement with KBRN, in which the latter leases two parcels of land within a large development project called East River in Houston, Texas. As discussed in Note 1, ERLV uses one parcel of the land to operate food and beverage services, outdoor recreation and entertainment activities, while the other parcel of land is used for golf related activities. The lease agreement requires ERLV to pay KBRN a rent based on 3% of gross sales. The lease has a term of 15 years and has 10 one-year extensions. Total rent revenue, including other income for 2024 was approximately \$283,000. KBRN's receivable from ERLV at December 31, 2024 was approximately \$23,000 and is included in tenant's receivable, net in the consolidated balance sheet.

Pursuant to the terms of the Management Development Agreement, the Partnership incurred developer fees of \$401,000, which were capitalized and included in construction in-progress in the consolidated balance sheet.

Additionally, the Partnership has entered into various agreements with related parties wherein the Manager and/or its affiliates may earn property level fees such as fees for property management and leasing services to the properties owned by the Partnership. For the year ended December 31, 2024, the properties owned by the Partnership incurred property management fees of approximately \$663,000. Of the total property management fees, approximately \$300,000 are included in operating expenses and approximately \$363,000 is capitalized and included construction in-progress in the accompanying consolidated financial statements.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Development Financing Agreement: On March 31, 2017, KBRN, as a developer, entered into an agreement with Harris County Improvement District No. 23 (the "District"), a political subdivision of the State of Texas, to facilitate the financing, design, and construction of public infrastructures to serve property developed by the KBRN within the District. Under the agreement, KBRN agreed to advance funds to or on behalf of the District to finance the design and construction of the water, sewer, drainage, roads, parks, parking, navigation facilities of the property being developed until the District is in a position to reimburse KBRN from the issuance of bonds in accordance with the agreement. The agreement shall be in force and in effect for a term of 40 years or until the transactions contemplated in the agreement is consummated, whichever occurs first.

Total outstanding advances by KBRN to the District at December 31, 2024 was approximately \$28,600,000, which is shown as Advances to Harris County Improvement District No. 23 in the consolidated balance sheet. At December 31, 2024, approximately \$933,000 of costs incurred for the District was unpaid and included accounts payable in the consolidated balance sheet.

Litigation: The Partnership is or may be subject to a variety of claims or legal actions arising in the ordinary course of business. The Partnership is not aware of any such claims or legal actions that have been asserted as of December 31, 2024, and therefore does not expect such item to have a material adverse effect on the Partnership's consolidated assets, liabilities and partnership equity, results of operations or liquidity.

Insurance Coverage: The Partnership and/or its wholly owned subsidiaries generally carry insurance coverage, which might include commercial liability, property, fire, flood, wind, earthquake, extended coverage and rental loss insurance with policy specifications. The General Partner believes that the limits and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such coverage and industry practice, including the use of master policies covering multiple properties. There are, however, certain types of extraordinary losses (such as bioterrorism) that may be either uninsurable, or not economically insurable.

(Continued)

KBRN, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11– SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 30, 2025, the date on which the financial statements were available to be issued. No items requiring adjustment or disclosure were noted.

SUPPLEMENTARY INFORMATION

KBRN, LP
PARENT-ONLY BALANCE SHEET
DECEMBER 31, 2024

ASSETS

Real estate properties, net	\$ 36,480,845
Assets held for sale	66,141,579
Cash	1,042,460
Tenants receivable, net	23,157
Advances to Harris County Improvement District No. 23	28,572,333
Other receivables and prepaids	471,698
Investments in subsidiaries	<u>82,379,921</u>

TOTAL ASSETS \$ 215,111,993

LIABILITIES AND PARTNERSHIP EQUITY

Liabilities

Accounts payable	\$ 18,637
Accrued expenses and other liabilities	2,180,849
Payable to related party	35,357
Security deposit liabilities	<u>3,899</u>

Total liabilities 2,238,742

Partnership equity 212,873,251

TOTAL LIABILITIES AND PARTNERSHIP EQUITY \$ 215,111,993

KBRN, LP
PARENT-ONLY STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

Revenues	
Rental revenues	\$ 221,676
Fees and other income	<u>61,000</u>
Total revenues	282,676
Expenses	
Personnel costs	99,399
Contract services	542,205
Insurance	89,887
Utilities	129,658
Repairs and maintenance	185,221
Advertising and marketing	19,165
Management fees	96,000
Communication and technology	2,091
Taxes	742,430
Other general and administrative	<u>146,638</u>
Total expenses	<u>2,052,694</u>
Loss from operations	(1,770,018)
Other expense (income)	
Share in losses of subsidiaries	(9,362,085)
Gain on sale of assets	<u>622,185</u>
Total other expense net	<u>(8,739,900)</u>
NET LOSS	<u>\$ (10,509,918)</u>

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)