

OFFICIAL STATEMENT DATED NOVEMBER 4, 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.

NEW ISSUE-Book-Entry Only

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 525
(A political subdivision of the State of Texas located within Harris County)

\$5,190,000
UNLIMITED TAX BONDS
SERIES 2025

\$2,895,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

Dated Date: December 1, 2025
Interest Accrual Date: Date of Delivery

Due: September 1, as shown on the inside cover

The \$5,190,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$2,895,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”) and, together with the Series 2025 Bonds, the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 525 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston, 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 separate annual ad valorem taxes levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

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”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about December 9, 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/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a “Bond Insurance Policy” and collectively, the “Bond Insurance Policies”) to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. (“AG” or the “Insurer”).

See “MATURITY SCHEDULES” on the inside cover

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the respective Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 9, 2025.

MATURITY SCHEDULES

\$5,190,000 Series 2025 Bonds

Principal Amount	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
\$ 105,000	2027	41423G BB2	6.500 %	3.05 %	\$ 205,000	2040 (a)	41423G BQ9	4.250 %	4.25 %
110,000	2028	41423G BC0	6.500	3.05	215,000	2041 (a)	41423G BR7	4.250	4.35
115,000	2029	41423G BD8	6.500	3.05	225,000	2042 (a)	41423G BS5	4.250	4.45
120,000	2030	41423G BE6	6.500	3.15	240,000	2043 (a)	41423G BT3	4.250	4.55
130,000	2031	41423G BF3	6.500	3.25	250,000	2044 (a)	41423G BU0	4.250	4.60
135,000	2032 (a)	41423G BG1	6.500	3.30	265,000	2045 (a)	41423G BV8	4.375	4.65
145,000	2033 (a)	41423G BH9	5.000	3.35	280,000	2046 (a)	41423G BW6	4.375	4.70
150,000	2034 (a)	41423G BJ5	4.000	3.55	290,000	2047 (a)	41423G BX4	4.375	4.71
160,000	2035 (a)	41423G BK2	4.000	3.70	305,000	2048 (a)	41423G BY2	4.500	4.72
165,000	2036 (a)	41423G BL0	4.000	3.85	325,000	2049 (a)	41423G BZ9	4.500	4.73
175,000	2037 (a)	41423G BM8	4.000	4.00	340,000	2050 (a)	41423G CA3	4.500	4.74
185,000	2038 (a)	41423G BN6	4.000	4.05	360,000	2051 (a)	41423G CB1	4.500	4.75
195,000	2039 (a)	41423G BP1	4.125	4.15					

\$2,895,000 Series 2025 Road Bonds

Principal Amount	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
\$ 60,000	2027	41423G CC9	6.375 %	3.05 %	\$ 120,000	2041 (a)	41423G CS4	4.250 %	4.35 %
60,000	2028	41423G CD7	6.500	3.05	125,000	2042 (a)	41423G CT2	4.250	4.45
65,000	2029	41423G CE5	6.500	3.05	130,000	2043 (a)	41423G CU9	4.250	4.55
70,000	2030	41423G CF2	6.500	3.15	140,000	2044 (a)	41423G CV7	4.250	4.60
70,000	2031	41423G CG0	6.500	3.25	145,000	2045 (a)	41423G CW5	4.375	4.65
75,000	2032 (a)	41423G CH8	6.500	3.30	155,000	2046 (a)	41423G CX3	4.375	4.70
80,000	2033 (a)	41423G CJ4	6.250	3.35	160,000	2047 (a)	41423G CY1	4.375	4.71
***	***	***	***	***	170,000	2048 (a)	41423G CZ8	4.500	4.72
105,000	2038 (a)	41423G CP0	4.000	4.05	180,000	2049 (a)	41423G DA2	4.500	4.73
110,000	2039 (a)	41423G CQ8	4.125	4.15	190,000	2050 (a)	41423G DB0	4.500	4.74
115,000	2040 (a)	41423G CR6	4.250	4.25	200,000	2051 (a)	41423G DC8	4.500	4.75

\$175,000 Term Bonds due September 1, 2035 (a), 41423G CL9 (b), 4.000% Interest Rate, 3.70% Yield (c)

\$195,000 Term Bonds due September 1, 2037 (a), 41423G CN5 (b), 4.000% Interest Rate, 4.00% Yield (c)

- (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 value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Series 2025 Road Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as more fully described herein. 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.

TABLE OF CONTENTS

MATURITY SCHEDULES.....	2	Additional Penalties	33
USE OF INFORMATION IN OFFICIAL STATEMENT.....	4	Historical Tax Collections.....	33
SALE AND DISTRIBUTION OF THE BONDS	5	Tax Roll Information.....	33
Award of the Bonds.....	5	Principal Taxpayers.....	34
Prices and Marketability	5	Tax Adequacy for Debt Service	34
Securities Laws.....	5	TAXING PROCEDURES	35
OFFICIAL STATEMENT SUMMARY.....	6	Authority to Levy Taxes.....	35
SELECTED FINANCIAL INFORMATION (UNAUDITED) .	10	Property Tax Code and County-Wide Appraisal District	35
THE BONDS.....	11	Property Subject to Taxation by the District	35
Description	11	Tax Abatement.....	36
Method of Payment of Principal and Interest	11	Valuation of Property for Taxation	36
Source of Payment.....	12	District and Taxpayer Remedies.....	37
Funds	12	Levy and Collection of Taxes.....	37
No Arbitrage.....	12	Rollback of Operation and Maintenance Tax Rate.....	38
Redemption Provisions.....	13	District's Rights in the Event of Tax Delinquencies	38
Authority for Issuance	13	RISK FACTORS	39
Registration and Transfer	14	General	39
Lost, Stolen or Destroyed Bonds	14	Dependence on Principal Taxpayers and the Developers	39
Replacement of Paying Agent/Registrar.....	14	Undeveloped Acreage and Vacant Lots	39
Issuance of Additional Debt	15	Operating Funds	40
Annexation by the City of Houston	15	Landowner Obligation to the District.....	40
Strategic Partnership Agreement	15	Increase in Costs of Building Materials.....	40
Consolidation.....	16	Competition.....	40
Remedies in Event of Default.....	16	Economic Factors and Interest Rates.....	40
Legal Investment and Eligibility to Secure Public Funds		Credit Markets and Liquidity in the Financial Markets	41
in Texas	16	Possible Impact on District Tax Rates.....	41
Defeasance.....	16	Potential Effects of Oil Price Volatility on the Houston Area ..	42
BOOK-ENTRY-ONLY SYSTEM.....	17	Extreme Weather Events	42
USE AND DISTRIBUTION OF BOND PROCEEDS	19	Specific Flood Type Risks	42
THE DISTRICT	21	Environmental Regulations	42
General	21	Tax Collections Limitations and Foreclosure Remedies	44
Description and Location.....	21	Registered Owners' Remedies and Bankruptcy Limitations ..	44
Development Agreement with the City of Houston.....	21	Marketability of the Bonds.....	45
Land Use.....	22	Changes in Tax Legislation	45
Status of Development.....	23	Continuing Compliance with Certain Covenants	45
Future Development	23	Risk Factors Related to the Purchase of Municipal Bond	
Undeveloped Acreage.....	23	Insurance	45
Homebuilding	23	LEGAL MATTERS	46
THE DEVELOPERS.....	23	Legal Proceedings	46
General	23	No Material Adverse Change	46
Meritage Homes of Texas LLC	24	No-Litigation Certificate	46
KRP Development SDC215 LLC, Successor in Interest to		TAX MATTERS.....	47
Clay Road 628 Development, L.P.	24	Tax Exemption.....	47
DFC Sundance LLC	24	Qualified Tax-Exempt Obligations	47
Obligations of the Developers	24	Additional Federal Income Tax Considerations	48
MANAGEMENT OF THE DISTRICT	25	MUNICIPAL BOND RATING	49
Board of Directors	25	MUNICIPAL BOND INSURANCE	49
District Consultants	25	Bond Insurance Policy.....	49
THE ROAD SYSTEM.....	25	Assured Guaranty Inc.....	49
THE SYSTEM	26	PREPARATION OF OFFICIAL STATEMENT	51
Regulation	26	Sources and Compilation of Information	51
Source of Water Supply.....	26	Financial Advisor	51
Wholesale Wastewater Service Agreement	26	Consultants.....	51
Source of Wastewater Treatment.....	26	Updating the Official Statement.....	52
Internal Water Distribution, Wastewater Collection and		Certification of Official Statement	52
Storm Drainage Facilities	26	CONTINUING DISCLOSURE OF INFORMATION.....	52
Storm Water Drainage.....	27	Annual Reports.....	52
100-Year Flood Plain.....	27	Event Notices	53
Atlas 14.....	27	Availability of Information from the MSRB	53
Water and Wastewater Operations.....	28	Limitations and Amendments.....	53
FINANCIAL INFORMATION CONCERNING THE		Compliance With Prior Undertakings	53
DISTRICT (UNAUDITED)	29	MISCELLANEOUS.....	54
Investments of the District.....	29	AERIAL PHOTOGRAPH	
Outstanding Bonds	29	PHOTOGRAPHS OF THE DISTRICT	
Debt Service Requirements	30	APPENDIX A— Financial Statement of the District for the fiscal	
Estimated Overlapping Debt.....	31	year ended February 28, 2025	
Overlapping Taxes.....	32	APPENDIX B— Specimen Municipal Bond Insurance Policies	
TAX DATA	32		
Debt Service Tax	32		
Maintenance and Operations Tax	32		
Historical Tax Rate Distribution.....	32		

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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 B—Specimen Municipal Bond Insurance Policies."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2025 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Series 2025 Bonds Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.0017% of the par value thereof, which resulted in a net effective interest rate of 4.617041%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2025 Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Series 2025 Road Bonds Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.0019% of the par value thereof, which resulted in a net effective interest rate of 4.632739%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

The Series 2025 Bonds Underwriter and the Series 2025 Road Bonds Underwriter shall be referred to herein collectively as the "Underwriter."

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by the Texas Legislature by Senate Bill 1464, as passed by the 81st Legislature and codified under Chapter 8326, Texas Special District Local Laws Code (the “Act”) effective May 27, 2009 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District contains approximately 580 acres of land. See “THE DISTRICT.”

Location...

The District is located in Harris County approximately 30 miles northeast of the central downtown business district of the City of Houston and is approximately 5 miles north of Crosby, Texas on the southeastern shore of Lake Houston. Access to the District is provided by U.S. Highway 90 to Farm-to-Market 2100 to Foley Road. The entire District lies within the extraterritorial jurisdiction of the City of Houston and within the boundaries of Crosby Independent School District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

The Developers...

Meritage Homes of Texas LLC, an Arizona limited liability company (“Meritage”) has developed approximately 116 acres within the District upon which it has constructed Sundance Cove, Sections One through Seven. Meritage is the sole homebuilder in Sundance Cove, Sections One through Seven. In addition, Meritage is developing approximately 61 acres where construction is underway for 319 single-family residential lots within the District as Sundance Cove, Sections Thirteen through Sixteen. Meritage does not own any additional developable acreage in the District. Meritage is a wholly-owned subsidiary of Meritage Homes Corporation, a Maryland corporation and publicly traded company whose common stock is listed on the New York Stock Exchange under the ticker symbol “MTH.”

Clay Road 628 Development, L.P., a Texas limited partnership (“Clay Road 628”) originally owned approximately 454 acres of land in the District and subsequently sold approximately 230 acres to Meritage where Meritage developed Sundance Cove, Sections One through Seven and is developing Sundance Cove, Sections Thirteen through Sixteen. Clay Road 628 transferred ownership of approximately 216 acres to KRP Development SDC215 LLC, a Texas limited liability company, (“KRP Development”), a related entity of Clay Road 628. KRP Development has developed approximately 64 acres within the District upon which it has constructed Sundance Cove, Sections Eight through Ten. In addition, KRP Development is developing approximately 29 acres where construction is underway for 72 single-family residential lots within the District as Sundance Cove, Section Eleven. KRP Development continues to own approximately 67 developable acres of undeveloped land in the District (excluding the approximately 29 acres where construction is underway).

DFC Sundance LLC, a Florida limited liability company (“DFC Sundance”), purchased approximately 113 acres of land within the District. DFC Sundance is developing approximately 43 acres, on behalf of DFH Coventry LLC, a Florida limited liability company (“DFH Coventry”), where construction is underway for 221 single-family residential lots within the District as Sundance Cove East, Sections Two and Three. DFC Sundance will continue to own approximately 38 developable acres of undeveloped land within the District (excluding the approximately 43 acres where construction is underway).

Meritage, KRP Development (successor in interest to Clay Road 628) and DFC Sundance are referred to herein as the “Developers.” See “THE DEVELOPERS,” “TAX DATA—Principal Taxpayers” and “RISK FACTORS—Dependence on Principal Taxpayers and the Developers.”

Status of Development...

Single-family residential development in the District consists of Sundance Cove, Sections One through Ten (812 single-family residential lots on approximately 180 acres). As of October 7, 2025, 313 homes were completed (313 occupied), 139 homes were under construction or in the name of a homebuilder and 360 vacant developed lots were available for home construction. According to the Developers, new homes in the District range in sales price from approximately \$252,000 to \$450,000. In addition, 221 single-family residential lots on approximately 61 acres are under construction in Sundance Cove with completion expected in the fourth quarter of 2025, 221 single-family residential lots on approximately 43 acres are under construction in Sundance Cove East with completion expected in the fourth quarter of 2025 and 170 single-family residential lots on approximately 29 acres are under construction in Sundance Cove with completion expected in the first quarter of 2026.

In addition, approximately 8 acres within the District are under construction for a marina, which will include a boat storage facility, a boat ramp with access to Lake Houston and a fishing pier, with completion expected in the first quarter of 2026. There are approximately 3 acres within the District under construction as parks and recreational facilities with completion expected in the fourth quarter of 2025. Upon completion, the parks and recreational facilities will include a playground, a resort-style pool, splashpads and walking trails. The park and recreational facilities will only be accessible to residents of Sundance Cove and Sundance Cove East.

The District also includes 105 developable acres that have not been provided with water, wastewater and storm drainage facilities (excluding approximately 133 acres under construction for the development of 612 single-family residential lots) and approximately 151 acres that are undevelopable (drainage, detention, drill sites, water and wastewater plant sites, as further described herein, street easements, utility sites and open space). See “THE DISTRICT—Land Use,” “—Status of Development” and “—Future Development.”

Homebuilding...

Active homebuilding within the District is currently being conducted by Meritage, K. Hovnanian Homes, CastleRock Communities, David Weekley Homes, Davidson Homes and Brightland Homes. See “THE DISTRICT—Homebuilding” and “TAX DATA—Principal Taxpayers.”

Payment Record...

The District has previously issued \$8,000,000 principal amount of unlimited tax road bonds, all of which is outstanding (the “Outstanding Bonds”) as of the date hereof. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District capitalized twenty-four (24) months of interest from proceeds of the Outstanding Bonds in December 2024 and will capitalize twenty-four (24) months of interest from Series 2025 Bond proceeds and twelve (12) months of interest from Series 2025 Road Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds” and “—Series 2025 Road Bonds.” The District has timely paid its debt service on the Outstanding Bonds.

THE BONDS

Description...

The \$5,190,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$2,895,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds” and, together with the Series 2025 Bonds, the “Bonds”) are being issued as fully registered bonds pursuant to separate resolutions (the “Bond Resolutions”) authorizing the issuance of each such series of Bonds adopted by the District’s Board of Directors. The Series 2025 Bonds mature as serial bonds on September 1 in each of the years 2027 through 2051, both inclusive, in the principal amounts and accrue interest at the rates shown on the inside cover page hereof. The Series 2025 Road Bonds mature as serial bonds on September 1 in each of the years 2027 through 2033, both inclusive, and 2038 through 2051, both inclusive, and as term bonds maturing on September 1 in each of the years 2035 and 2037 (the “Series 2025 Road Term Bonds”), in the principal amounts and accrue interest at the rates shown on the inside cover page hereof. 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. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”

<i>Book-Entry-Only System...</i>	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 series and maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	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 value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2025 Road Term Bonds are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds for the Series 2025 Bonds...</i>	Proceeds of the Series 2025 Bonds will be used to pay for the items shown under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.” In addition, Series 2025 Bond proceeds will be used to capitalize twenty-four (24) months of interest on the Series 2025 Bonds; to pay interest on funds advanced by certain of the Developers on behalf of the District; to pay land acquisition costs, to pay engineering fees, creation costs, operating advances, administrative costs and certain other costs related to the issuance of the Series 2025 Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.”
<i>Use of Proceeds for the Series 2025 Road Bonds...</i>	Proceeds of the Series 2025 Road Bonds will be used to pay for the items shown under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.” In addition, Series 2025 Road Bond proceeds will be used to capitalize twelve (12) months of interest on the Series 2025 Road Bonds; to pay interest on funds advanced by certain of the Developers on behalf of the District; to pay engineering fees, administrative costs and certain other costs related to the issuance of the Series 2025 Road Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.”
<i>Authority for Issuance...</i>	The Series 2025 Bonds are the first series of bonds issued out of an aggregate of \$350,200,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, wastewater, and drainage facilities. The Series 2025 Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the terms and conditions of a resolution authorizing the issuance of the Series 2025 Bonds (the “Series 2025 Bond Resolution”), Article XVI, Section 59 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. The Series 2025 Road Bonds are the second series of bonds issued out of an aggregate of \$165,650,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing and/or acquiring road facilities. The Series 2025 Road Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Series 2025 Road Bonds (the “Series 2025 Road Bond Resolution”), Article III, Section 52 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “RISK FACTORS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of separate continuing direct annual ad valorem taxes levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Rating and
Municipal Bond Insurance...*

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") 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, separate municipal bond insurance policies 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. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

*Qualified Tax-Exempt
Obligations...*

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Bond Counsel...

Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."

Financial Advisor...

Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Disclosure Counsel...

McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar...

The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations 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)

2025 Taxable Assessed Valuation.....	\$ 86,502,366	(a)
Estimated Taxable Assessed Valuation as of September 1, 2025	\$114,279,160	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$16,085,000	(c)
Estimated Overlapping Debt	4,888,547	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$20,973,547	
Ratio of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of September 1, 2025	14.08%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of September 1, 2025	18.35%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of October 7, 2025	\$ 482,180	(e)
Capitalized Interest from Proceeds of the Series 2025 Bonds (Twenty-Four (24) Months)	479,575	(e)(f)
Capitalized Interest from Proceeds of the Series 2025 Road Bonds (Twelve (12) Months)	134,663	(e)(f)
Total Funds Available for Debt Service.....	\$1,096,418	
Water/Sewer/Drainage Capital Projects Funds Available as of October 7, 2025	\$ 420	
Road Capital Projects Funds Available as of October 7, 2025.....	\$ 92,804	(g)
Operating Funds Available as of October 7, 2025	\$311,345	(h)
2025 Debt Service Tax Rate.....	\$0.32	
2025 Maintenance Tax Rate.....	1.03	
2025 Total Tax Rate.....	\$1.35	
Average Annual Debt Service Requirement (2026-2051).....	\$1,046,068	(i)
Maximum Annual Debt Service Requirement (2050).....	\$1,142,000	(i)
Tax Rate Required to Pay Average Annual Debt Service (2026-2051) at a 95% Collection Rate		
Based upon Estimated Taxable Assessed Valuation as of September 1, 2025.....	\$0.97	(j)
Tax Rate Required to Pay Maximum Annual Debt Service (2050) at a 95% Collection Rate		
Based upon Estimated Taxable Assessed Valuation as of September 1, 2025.....	\$1.06	(j)
Status of Development as of October 7, 2025 (k):		
Total Lots Developed	812	
Completed Single-Family Homes (313 Occupied)	313	
Homes Under Construction or in the Name of a Homebuilder	139	
Vacant Lots Available for Home Construction.....	360	
Lots Under Construction	612	
Estimated Population	1,096	(l)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$78,987,445 of certified value and \$7,514,921 uncertified value. The uncertified value is subject to change and downward revision or adjustment prior to certification. No tax will be levied on such uncertified value until it is certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on September 1, 2025. Increases in value that occur between January 1, 2025, and September 1, 2025, will be certified as of January 1, 2026. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) The current Road Debt Service Fund represents the remaining balance of the twenty-four (24) months of interest capitalized from the Outstanding Bonds in December 2024. Although all of the District's debt, including the Outstanding Bonds and the Bonds, have been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sewer and drainage facilities or to refund such bonds ("WSD Bonds"), including the Series 2025 Bonds, and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), including the Series 2025 Road Bonds, and deposited into separate sub-accounts within the District's Debt Service Fund. Funds in the Road Debt Service Fund may not be used to pay debt service on the WSD Bonds. See "THE BONDS—Funds."
- (f) The District will capitalize twenty-four (24) months of interest from Series 2025 Bond proceeds and twelve (12) months of interest from Series 2025 Road Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The District will contribute \$92,500 of surplus Road Capital Project Funds towards the issuance of the Series 2025 Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds."
- (h) See "RISK FACTORS—Operating Funds."
- (i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (j) See "TAX DATA—Tax Adequacy for Debt Service" and "RISK FACTORS—Possible Impact on District Tax Rates."
- (k) See "THE DISTRICT—Land Use" and "—Status of Development."
- (l) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 525

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

\$5,190,000
UNLIMITED TAX BONDS
SERIES 2025

\$2,895,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 525 (the "District") of its \$5,190,000 Unlimited Tax Bonds, Series 2025 (the "Series 2025 Bonds") and its \$2,895,000 Unlimited Tax Road Bonds, Series 2025 (the "Series 2025 Road Bonds"). The Series 2025 Bonds and the Series 2025 Road Bonds are collectively referred to herein as the "Bonds."

The Series 2025 Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the terms and conditions of a resolution authorizing the issuance of the Series 2025 Bonds (the "Series 2025 Bond Resolution") adopted by the Board of Directors of the District (the "Board"), an election held within the District, Article XVI, Section 59 of the Texas Constitution, Chapter 8326 of the Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

The Series 2025 Road Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Series 2025 Road Bonds (the "Series 2025 Road Bond Resolution" and together with the Series 2025 Bond Resolution, the "Bond Resolutions") adopted by the Board, an election held within the District, Article III, Section 52 of the Texas Constitution, Chapter 8326 of the Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolutions, and certain other information about the District, Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage"), KRP Development SDC215 LLC, a Texas limited liability company, ("KRP Development") (successor in interest to Clay Road 628 Development, L.P., a Texas limited Partnership ("Clay Road 628")), DFC Sundance LLC, a Florida limited liability company ("DFC Sundance") and development activity in the District. Meritage, Clay Road 628 and DFC Sundance are collectively referred to herein as the "Developers." All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated December 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 principal amounts and accrue interest at the rates shown on the inside 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 Resolutions, 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 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 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 Resolutions.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, separate continuing direct annual ad valorem taxes, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolutions, 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 of Houston, or any entity other than the District.

Funds

In the Series 2025 Bond Resolution, the Water, Sewer and Drainage Debt Service Fund (the “WSD Debt Service Fund”) is created, and the proceeds from all taxes levied, appraised and collected for and on account of the Series 2025 Bonds authorized by the Series 2025 Bond Resolution shall be deposited, as collected, in such fund. Twenty-four (24) months of capitalized interest shall be deposited into the WSD Debt Service Fund upon receipt. The remaining proceeds of sale of the Series 2025 Bonds shall be deposited into the Water/Sewer/Drainage Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs, to pay interest on funds advanced by the Developers on behalf of the District, to pay land acquisition costs, to pay engineering fees, creation costs, operating advances, administrative costs and certain other costs related to the issuance of the Series 2025 Bonds. Any monies remaining in the Water/Sewer/Drainage Capital Projects Fund will be used as described in the Series 2025 Bond Resolution or ultimately transferred to the WSD Debt Service Fund. Funds in the WSD Debt Service Fund may not be used to pay debt service on the Road Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds” for a more complete description of the use of Series 2025 Bond proceeds.

In the Series 2025 Road Bond Resolution, the Road Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Series 2025 Road Bonds authorized by the Series 2025 Road Bond Resolution shall be deposited, as collected, in such fund. Twelve (12) months of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Series 2025 Road Bonds shall be deposited into the Road Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs, to pay interest on funds advanced by the Developers on behalf of the District, to pay engineering fees, administrative costs and certain other costs related to the issuance of the Series 2025 Road Bonds. Any monies remaining in the Road Capital Projects Fund will be used as described in the Series 2025 Road Bond Resolution or ultimately transferred to the Series 2025 Road Debt Service Fund. Funds in the Road Debt Service Fund may not be used to pay debt service on the WSD Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds” for a more complete description of the use of Series 2025 Road Bond proceeds.

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 Resolutions that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Mandatory Redemption of the Series 2025 Road Term Bonds: The Series 2025 Road Bonds maturing on September 1 in each of the years 2035 and 2037 (the “Series 2025 Road Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$175,000 Term Bonds		\$195,000 Term Bonds	
Due September 1, 2035		Due September 1, 2037	
Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount
2034	\$ 85,000	2036	\$ 95,000
2035 (maturity)	90,000	2037 (maturity)	100,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Series 2025 Road Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Series 2025 Road Term Bonds or portions of the Series 2025 Road Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Series 2025 Road Bond Resolution. The principal amount of any Series 2025 Road Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Series 2025 Road Term Bonds, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: 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 unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

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

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

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

Authority for Issuance

At bond elections held within the District, voters of the District have authorized the issuance of \$350,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities and \$165,650,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring road facilities. The Bonds are issued pursuant to such authorizations. The TCEQ has approved the issuance of the Series 2025 Bonds subject to certain restrictions, including the use of Series 2025 Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.”

The Series 2025 Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Series 2025 Bond Resolution, an election held within the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8326 of the Texas Special District Local Laws Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. The Series 2025 Road Bonds are issued by the District pursuant to the terms and conditions of the Series 2025 Road Bond Resolution, an election held within the District, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8326 of the Texas Special District Local Laws Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$350,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and \$350,200,000 principal amount of unlimited tax bonds for refunding such bonds, \$165,650,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring road facilities and \$165,650,000 principal amount of unlimited tax bonds for refunding such bonds, and \$84,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and \$84,000,000 principal amount of unlimited tax bonds for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, \$345,010,000 principal amount of unlimited tax bonds for the purpose of constructing water, sewer and drainage facilities will remain authorized but unissued, \$154,755,000 principal amount of unlimited tax bonds for constructing and/or acquiring road facilities will remain authorized but unissued and all of the authorized amount for park and recreational facilities will remain authorized but unissued. See "—Authority for Issuance" herein and "RISK FACTORS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park plan and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. Further, the principal amount of unlimited tax bonds issued by the District for constructing or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The Board has approved a park plan and at an election held on May 6, 2023, and voters of the District authorized the issuance of \$84,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities, all of which remains authorized but unissued.

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

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City of Houston cannot annex territory within the District unless it annexes the entire District; however, the City of Houston may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City of Houston and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

Strategic Partnership Agreement

The District and the City of Houston entered into a strategic partnership agreement (the "SPA"). Pursuant to the SPA, which sets forth the terms of full purpose annexation, the City of Houston will not annex the property in the District until (i) at least 90% of the District's water, sewer, drainage, roads, and park and recreational facilities have been developed and the Developers have been reimbursed for such costs; or (ii) 30 years have elapsed. No representation is made as to whether or not the City of Houston will annex the District at any time in the future.

The SPA provides for a "limited purpose annexation" of a portion of the land within the District that is planned to be developed for commercial purposes. Pursuant to the SPA, the City of Houston will impose a Sales and Use Tax within the portion of land annexed for limited purposes of which the District would receive 50% of the Sales and Use Tax revenues that are received by the City of Houston. The District can use the Sales and Use Tax revenue only for purposes for which the District is lawfully authorized to use its ad valorem tax revenues or other revenues. To date, there has not yet been any commercial development in the District, so the District has received \$0.00 in revenue from a City of Houston Sales & Use Tax.

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

date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Series 2025 Bonds

The construction costs below were compiled by Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc., the District's engineer (the "Engineer") and were submitted to the TCEQ in the District's Series 2025 Bond Application. A portion of the proceeds from the sale of the Series 2025 Bonds will be used to pay for the construction, 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 Series 2025 Bonds and completion of agreed upon procedures by the District's auditor.

CONSTRUCTION COSTS

• Water Plant No. 1.....	\$ 1,098,310
• Lift Station No. 1.....	1,446,070
• Engineering and Geotechnical.....	170,864
• Storm Water Pollution Prevention Plan.....	6,149
• TPDES Permit.....	34,198
• Land Acquisition.....	702,783
Total Construction Costs.....	\$ 3,458,374

NON-CONSTRUCTION COSTS

• Bond Discount (a).....	\$ 155,614
• Capitalized Interest (Twenty-Four (24) Months) (a).....	479,575
• Creation Expenses.....	27,200
• Operation Expenses.....	197,405
• Market Study.....	9,475
• Developer Interest (Estimated).....	395,785
Total Non-Construction Costs.....	\$ 1,265,054

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 301,758
• Bond Application Report Costs.....	55,238
• State Regulatory Fees.....	18,165
• Contingency (a).....	91,411
Total Issuance Costs and Fees.....	\$ 466,572
TOTAL BOND ISSUE.....	\$ 5,190,000

(a) The TCEQ approved a maximum amount of Bond Discount of 3.00% and twenty-four (24) months of capitalized interest. Contingency represents the difference in the estimated and actual amounts of Bond Discount and capitalized interest.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ notice or approval and the issuance of additional bonds may be required.

Series 2025 Road Bonds

The construction costs below were compiled by the Engineer. Non-construction costs are based upon either contract amounts, or estimates of various costs by 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 Series 2025 Road Bonds and review by the District's auditor. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS

• Sundance Cove, Section Eight - Paving	\$ 1,265,893
• Sundance Cove, Section Nine - Paving.....	867,983
• Engineering and Geotechnical.....	229,885
• Traffic Impact Analysis.....	39,055
• Storm Water Compliance.....	38,047
• Less: Surplus Funds (a).....	(92,500)

Total Construction Costs	\$ 2,348,362
---------------------------------------	---------------------

NON-CONSTRUCTION COSTS

• Bond Discount (b).....	\$ 86,796
• Capitalized Interest (Twelve (12) Months) (b).....	134,663
• Developer Interest (Estimated).....	83,069

Total Non-Construction Costs	\$ 304,527
---	-------------------

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees	\$ 196,836
• Engineering Bond Issue Fees	25,000
• State Regulatory Fees	2,895
• Contingency (b).....	17,379

Total Issuance Costs and Fees	\$ 242,110
--	-------------------

TOTAL BOND ISSUE.....	\$ 2,895,000
------------------------------	---------------------

-
- (a) The District will contribute \$92,500 of Surplus Road Capital Project Funds towards the issuance of the Series 2025 Road Bonds. See "SELECTED FINANCIAL INFORMATION (UNAUDITED)."
- (b) Contingency represents the difference in the estimated and actual amounts of Bond Discount and capitalized interest.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by the Texas Legislature by Senate Bill 1464, as passed by the 81st Legislature and codified under Chapter 8326 Texas Special District Local Laws Code effective May 27, 2009, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District contains approximately 580 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes. Additionally, the District may, subject to certain limitations, develop and finance roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Houston, the District is required to observe certain requirements of the City of Houston which: (i) limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, the provision of parks and recreational facilities and roads; (ii) limit the net effective interest rate on such bonds and other terms of such bonds; (iii) require approval by the City of Houston of District construction plans; and (iv) permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City of Houston and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Description and Location

The District is located in Harris County approximately 30 miles northeast of the central downtown business district of the City of Houston and is approximately 5 miles north of Crosby, Texas on the southeastern shore of Lake Houston. Access to the District is provided by U.S. Highway 90 to Farm-to-Market 2100 to Foley Road. The entire District lies within the extraterritorial jurisdiction of the City of Houston and within the boundaries of Crosby Independent School District. See "AERIAL PHOTOGRAPH."

Development Agreement with the City of Houston

The City of Houston and Madson/Foley, LLC (predecessor in interest to the Developers) entered into a Development Agreement dated October 7, 2015 (the "Development Agreement") whereby the City of Houston agreed to consent to the creation of the District and deannex a portion of the land in the District from its corporate limits in consideration of, among other things, the District constructing an interim wastewater treatment plant and the dedication of an approximately 13.5-acre site for a future City of Houston wastewater treatment plant site. The parties also agreed to cause the District to enter into a strategic partnership agreement with the City of Houston. See "THE BONDS—Strategic Partnership Agreement."

The City of Houston, the District and Clay Road 628 Development, L.P. entered into that First Supplement to the Development Agreement dated September 8, 2023 (the "First Supplement"). The parties agreed that in order to meet the immediate wastewater treatment plant needs of the District, the District would cause the construction of a permanent wastewater treatment plant within the District. The parties have identified an approximately 13.5-acre site within the District for use as a future City of Houston regional wastewater treatment plant site (the "City Site"). If another alternative site is not designated within three years of the effective date of the First Supplement, the District will dedicate the City Site to the City of Houston for a City of Houston regional wastewater treatment plant. The District will not permit any development of the City Site until the terms of the First Supplement are satisfied. In the event a City of Houston regional wastewater treatment plant is constructed on the City Site, the District will not be required to divert flows (or pay for the diversion of flows) to the City of Houston wastewater treatment plant.

Land Use

The District's land plan currently includes approximately 180 acres developed as 812 single-family residential lots, approximately 133 acres under construction for the development of 612 single-family residential lots, approximately 8 acres under construction for the development of a marina, approximately 3 acres under construction for parks and recreational facilities, approximately 105 acres of developable but undeveloped land that have not been provided with water distribution, wastewater collection and storm drainage facilities, and approximately 151 acres that are undevelopable, consisting of drainage, detention, drill sites, water and wastewater plant sites, including the City Site, street easements, utility sites and open space. The table below represents a detailed breakdown of the current acreage and development in the District.

<i>Single-Family Residential</i>	Approximate Acres	Lots
Sundance Cove:		
Section One.....	19	87
Section Two.....	28	155
Section Three.....	26	149
Section Four.....	12	55
Section Five.....	11	46
Section Six.....	9	41
Section Seven.....	11	47
Section Eight.....	23	91
Section Nine.....	15	59
Section Ten.....	26	82
Section Eleven (a).....	29	72
Section Thirteen (a).....	15	58
Section Fourteen (a).....	17	91
Section Fifteen (b).....	14	76
Section Sixteen (b).....	15	94
Subtotal.....	270	1,203
Sundance Cove East:		
Section Two (a).....	23	102
Section Three (a).....	20	119
Subtotal.....	43	221
Subtotal.....	313	1,424
Marina (c).....	8	-
Recreational Center (d).....	3	-
Future Developable.....	105	-
Undevelopable (e).....	151	-
Total.....	580	1,424

(a) Under construction with an expected completion date in the fourth quarter of 2025.

(b) Under construction with an expected completion date in the first quarter of 2026.

(c) Approximately 8 acres in the District are under construction as a marina with an expected completion date in the first quarter of 2026.

(d) Approximately 3 acres in the District are under construction as park and recreational facilities with an expected completion date in the fourth quarter of 2025.

(e) Consists of drainage, detention, drill sites, water and wastewater plant sites, including the City Site, street easements, utility sites and open space.

Status of Development

Single-family residential development in the District consists of Sundance Cove, Sections One through Ten (812 single-family residential lots on approximately 180 acres). As of October 7, 2025, 313 homes were completed (313 occupied, 139 homes were under construction or in the name of a homebuilder and 360 vacant developed lots were available for home construction. According to the Developers, new homes in the District range in price from approximately \$252,000 to \$450,000. Additionally, 221 single-family residential lots on approximately 61 acres are under construction in Sundance Cove with expected completion in the fourth quarter of 2025, 221 single-family residential lots on approximately 43 acres are under construction in Sundance Cove East with expected completion in the fourth quarter of 2025 and 170 single-family residential lots on approximately 29 acres are under construction in Sundance Cove with expected completion in the first quarter of 2026.

In addition, approximately 8 acres within the District are under construction for a marina, which will include a boat storage facility, a boat ramp with access to Lake Houston and a fishing pier, with completion expected in the first quarter of 2026. There are approximately 3 acres within the District under construction as parks and recreational facilities with completion expected in the fourth quarter of 2025. Upon completion, the parks and recreational facilities will include a playground, a resort-style pool, splashpads and walking trails. The park and recreational facilities will only be accessible to residents of Sundance Cove and Sundance Cove East.

Future Development

Approximately 105 developable acres (excluding approximately 133 acres under construction for the development of 612 single-family residential lots) in the District are not yet fully served with water, wastewater, storm drainage and paving facilities necessary for the construction of taxable improvements. While the District anticipates future development of this acreage, there can be no assurances when or if any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, sanitary sewer, drainage, road and park facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$583,765,000) should be sufficient to finance the construction of facilities to complete the District's water, sanitary sewer, drainage, road and park facilities for full development of the District. See "THE BONDS—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Undeveloped Acreage

The District also includes approximately 151 acres that are undevelopable (drainage, detention, drill sites, water and wastewater plant sites, including the City Site, street easements, utility sites and open space).

Homebuilding

Active homebuilding within the District is currently being conducted by Meritage, K. Hovnanian Homes, CastleRock Communities, David Weekley Homes, Davidson Homes and Brightland Homes. See "TAX DATA—Principal Taxpayers."

THE DEVELOPERS

General

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

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

Meritage Homes of Texas LLC

Meritage Homes of Texas LLC, an Arizona limited liability company (“Meritage”) has developed approximately 116 acres within the District upon which it has constructed Sundance Cove, Sections One through Seven. Meritage is the sole homebuilder in Sundance Cove, Sections One through Seven. In addition, Meritage is developing approximately 61 acres where construction is underway for 319 single-family residential lots within the District as Sundance Cove, Sections Thirteen through Sixteen. Meritage does not own any additional acreage in the District. Meritage is a wholly-owned subsidiary of Meritage Homes Corporation, a Maryland corporation and publicly traded company whose common stock is listed on the New York Stock Exchange under the ticker symbol “MTH.” Meritage Homes Corporation files annual, quarterly and current reports, proxy statements and other information with the SEC and such filings are available to the public over the Internet at the SEC’s web site at <http://www.sec.gov>. You may also read and copy any document Meritage Homes Corporation has filed with the SEC at the SEC’s Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room. See “TAX DATA—Principal Taxpayers” and “RISK FACTORS—Dependence on Principal Taxpayers and the Developers.”

In addition, Meritage makes available on its web site <https://www.meritagehomes.com/> its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on Meritage’s website, available by hyperlink from Meritage’s web site or on the SEC’s web site, is not incorporated into this OFFICIAL STATEMENT.**

KRP Development SDC215 LLC, Successor in Interest to Clay Road 628 Development, L.P.

Clay Road 628 Development, L.P., a Texas limited partnership (“Clay Road 628”) originally owned approximately 454 acres of land in the District and subsequently sold approximately 230 acres to Meritage where Meritage developed Sundance Cove, Sections One through Seven and is developing Sundance Cove, Sections Thirteen through Sixteen. Clay Road 628 transferred ownership of approximately 216 acres to KRP Development SDC215 LLC, a Texas limited liability company, (“KRP Development”), a related entity of Clay Road 628. KRP Development has developed approximately 64 acres within the District upon which it has constructed Sundance Cove, Sections Eight through Ten. In addition, KRP Development is developing approximately 29 acres where construction is underway for 72 single-family residential lots within the District as Sundance Cove, Section Eleven. KRP Development continues to own approximately 67 developable acres of undeveloped land in the District (excluding the approximately 29 acres where construction is underway).

DFC Sundance LLC

DFC Sundance LLC, a Florida limited liability company (“DFC Sundance”), purchased approximately 113 acres of land within the District. DFC Sundance is developing approximately 43 acres, on behalf of DFH Coventry LLC, a Florida limited liability company (“DFH Coventry”), where construction is underway for 221 single-family residential lots within the District as Sundance Cove East, Sections Two and Three. DFC Sundance will continue to own approximately 38 developable acres of undeveloped land within the District (excluding the approximately 43 acres where construction is underway).

Meritage, KRP Development (successor in interest to Clay Road 628) and DFC Sundance are referred to herein as the “Developers.” See “TAX DATA—Principal Taxpayers” and “RISK FACTORS—Dependence on Principal Taxpayers and the Developers.”

Obligations of the Developers

The Developers do not have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developers may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the Developers is subject to change at any time. See “TAX DATA—Principal Taxpayers,” “RISK FACTORS—Dependence on Major Taxpayers and the Developers” and “—Landowner Obligation to the District.”

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors (the “Board”), consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the Board members reside within the District; however, each of the Board members owns land within the District subject to a note and deed of trust in favor of Clay Road 628. Directors have staggered four-year terms. The current members of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Sikes	President	May 2026
Lorenzo Rivera	Vice President	May 2026
Scott Frankovich	Secretary	May 2028
David Wise	Assistant Vice President	May 2026
Rayan Bekhradi	Assistant Secretary	May 2028

District Consultants

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

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

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

Auditor: The District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. The District’s financial statements for the fiscal year ending February 28, 2025, were audited by McGrath & Co., PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s audited financial statements for the fiscal year ending February 28, 2025.

Engineer: The District’s consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Service, LLC (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services.

Utility System Operators: The operator of the District’s water system is Municipal District Services, LLC. Utilities Investment Co., Inc. owns and operates the wastewater treatment plant. See “THE DISTRICT—Wholesale Wastewater Service Agreement.”

THE ROAD SYSTEM

A portion of the proceeds of the Series 2025 Road Bonds will be used to finance the road system (the “Roads”) which serves the residents of the District by providing roads and thoroughfares within the District and the surrounding area. Upon completion, the District intends that the Roads are or will be accepted by Harris County for operation and maintenance in accordance with the procedures of Harris County. The District will not operate or maintain the Roads. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.”

THE SYSTEM

Regulation

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

Source of Water Supply

Water supply to the District is currently served by Water Plant No. 1. The water plant is owned, managed and operated by the District. The District's water wells are permitted by the Harris-Galveston Subsidence District. The District (participant) and the City of Houston (GRP manager) entered into a Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Subsidence District dated March 15, 2022. Water Plant No. 1 consists of two (2) water wells providing 1,560 gallons per minute ("gpm"); one (1) 212,361 gallon ground storage tank; two (2) hydro-pneumatic tanks with a total capacity of 31,126 gallons; and four (4) booster pumps providing 3,600 gpm of capacity. Water Plant No. 1 is currently serving 493 equivalent single-family connections ("ESFCs") in the District and has the capacity to serve a total of 1,800 ESFCs in the District. An expansion of Water Plant No. 1 has been designed and construction is expected to begin in the first quarter of 2026.

Wholesale Wastewater Service Agreement

Pursuant to an Agreement for Wholesale Wastewater Service, as amended, (the "Agreement") between Utilities Investment Co., Inc. ("UICI") and the District, the District purchased wholesale wastewater treatment capacity to serve up to 2,150 ESFCs in the District (the "Capacity Reservation"). Under the terms of the Agreement, UICI is responsible for financing and constructing expansions of the existing wastewater treatment plant (the "UICI System") with sufficient capacity to fulfill the Capacity Reservation to provide wholesale wastewater service to the District. The expansions of the UICI System may be constructed in phases in order to be available as needed by the District in accordance with the District's build-out schedule. The District is responsible for financing and constructing the facilities (lines and lift stations) to deliver wastewater service to customers within the District. Pursuant to the Agreement, UICI is responsible for all operations, maintenance and repairs to the UICI System. Additionally, the District has the option to purchase the UICI System within the first three years following the effective date of the Agreement, if UICI fails to construct any expansion as required by the District. The term of the Agreement is 40 years and thereafter renews for a consecutive 40-year term, unless 3 years prior written notice is given.

In exchange for expanding and operating the UICI System, UICI has received or will receive a payment from or on behalf of the District in the amount of \$700 per ESFC located within the District. In addition, the District pays UICI \$52.50 per month per ESFC located within the District for wastewater treatment service.

Source of Wastewater Treatment

The District obtains wastewater capacity from UICI through a 0.325 million gallons per day wastewater treatment facility, which will be expanded as required by the District. The TCEQ issued the District a wastewater discharge permit No. WQ0015432001 dated May 8, 2020, authorizing the treatment and disposal from the facility, which was set to expire on May 8, 2025. The permit ownership was transferred from the District to UICI in 2024 through the TCEQ. A permit application for major amendment and renewal was submitted to the TCEQ and declared administratively complete on December 5, 2024. UICI is pending receipt of the renewed permit. The wastewater treatment plant is currently serving 493 ESFCs in the District and has the capacity to serve 1,083 ESFCs in the District.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District constructs, owns, and operates its own internal water distribution, wastewater collection, and storm water drainage facilities as necessary to promote the development of the District. The construction of these facilities occurs in phases to serve areas of development as they occur. Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve 812 single-family residential lots and construction is underway for an additional 442 single-family residential lots with an expected completion in the fourth quarter of 2025 and for an additional 170 single-family residential lots with an expected completion in the first quarter of 2026.

Storm Water Drainage

All storm drainage improvements will be designed in accordance with the criteria established by Harris County. The storm drainage collection system will be sized to carry the run-off from a 2-year return frequency storm, at a minimum velocity of 3 feet per second.

A majority of the land in the District currently drains into Lake Houston. The District also constructed internal storm water collection lines. The District's storm water collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers ranging in size from 24-inches to 72-inches in diameter. Detention basins have been designed to receive storm water from the storm sewer system. The detention basins outfall to an existing ditch within the District that drains to Lake Houston. The detention facilities release storm water run-off below or at the existing pre-developed run-off rate. The storm drainage collection system serves the entire District drainage area.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Map No. 48201C0530L, Panel No. 0510L and 0530L, none of the developable acreage within the District planned for development is located within the 100-year floodplain. See “RISK FACTORS—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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Water and Wastewater Operations

The Outstanding Bonds and the Bonds are payable solely 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, from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Outstanding Bonds and the Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Outstanding Bonds and the Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended February 28, 2023 through February 28, 2025 and an unaudited summary provided by the Bookkeeper for the seven-month period ended September 30, 2025. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

		Fiscal Year Ended February 28/29		
	3/1/2025 to 9/30/2025	2025	2024	2023
	(Unaudited)			
Revenues				
Property Taxes	\$ 270,000	\$ 528,535	\$ 71,818	\$ 37,049
Water and Sewer Service	405,884	409,403	38,822	-
Penalty and Interest	4,347	6,440	2,262	-
Surface Water Fees	69,301	67,813	3,518	-
Tap Connection & Inspection	229,798	520,615	269,610	-
Investment Earnings	4,525	741	42	-
Miscellaneous	5,084	500	-	91
Total Revenues	\$ 988,938	\$ 1,534,047	\$ 386,072	\$ 37,140
Expenditures				
Professional Fees	\$ 208,279	\$ 195,994	\$ 191,584	\$ 278,593
Purchased Services	258,283	300,024	-	-
Contracted Services (a)	226,106	225,658	154,613	11,915
Repairs and Maintenance	193,959	417,875	126,592	-
Utilities	16,640	21,462	1,090	-
Administrative	32,206	29,524	18,674	19,265
Capital Outlay	-	280,550 (b)	-	-
Other	16,529	27,610	29,370	6,104
Total Expenditures	\$ 952,001	\$ 1,498,697	\$ 521,923	\$ 315,877
NET REVENUES	<u>\$ 36,937</u>	<u>\$ 35,350</u>	<u>\$ (135,851)</u>	<u>\$ (278,737)</u>
Other Financing Sources (c)	\$ -	\$ 200,000	\$ 240,350	\$ 304,611
General Operating Fund				
Balance (Beginning of Year)	\$ 358,953	\$ 123,603	\$ 19,104	\$ (6,770)
General Operating Fund				
Balance (End of Year)	\$ 395,890	\$ 358,953	\$ 123,603	\$ 19,104

(a) Includes payments to UICI for wastewater treatment capacity. See "—Wholesale Wastewater Service Agreement" herein.

(b) Funds expended for the acquisition of water meters.

(c) Developer advances. See "RISK FACTORS—Operating Funds."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Taxable Assessed Valuation.....	\$ 86,502,366	(a)
Estimated Taxable Assessed Valuation as of September 1, 2025	\$114,279,160	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$16,085,000	(c)
Estimated Overlapping Debt	<u>4,888,547</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$20,973,547	
Ratio of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of September 1, 2025	14.08%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of September 1, 2025	18.35%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of October 7, 2025	\$ 482,180	(e)
Capitalized Interest from Proceeds of the Series 2025 Bonds (Twenty-Four (24) Months)	479,575	(e)(f)
Capitalized Interest from Proceeds of the Series 2025 Road Bonds (Twelve (12) Months)	<u>134,663</u>	(e)(f)
Total Funds Available for Debt Service.....	\$1,096,418	
Water/Sewer/Drainage Capital Projects Funds Available as of October 7, 2025.....	\$ 420	
Road Capital Projects Funds Available as of October 7, 2025.....	\$ 92,804	(g)
Operating Funds Available as of October 7, 2025	\$311,345	(h)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$78,987,445 of certified value and \$7,514,921 of uncertified value. The uncertified value is subject to change and downward revision or adjustment prior to certification. No tax will be levied on such uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on September 1, 2025. Increases in value that occur between January 1, 2025 and September 1, 2025, will be assessed for purposes of taxation on January 1, 2026. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) See "—Outstanding Bonds" below.
- (d) See "—Estimated Overlapping Debt" herein.
- (e) The current Road Debt Service Fund represents the remaining balance of the twenty-four (24) months of interest capitalized from the Outstanding Bonds in December 2024. Although all of the District's debt, including the Outstanding Bonds and the Bonds, have been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sewer and drainage facilities or to refund such bonds ("WSD Bonds"), including the Series 2025 Bonds, and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), including the Series 2025 Road Bonds, and deposited into separate sub-accounts within the District's Debt Service Fund. Funds in the Road Debt Service Fund may not be used to pay debt service on the WSD Bonds. See "THE BONDS—Funds."
- (f) The District will capitalize twenty-four (24) months of interest from Series 2025 Bond proceeds and twelve (12) months of interest from Series 2025 Road Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The District will contribute \$92,500 of surplus Road Capital Project Funds towards the issuance of the Series 2025 Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds."
- (h) See "RISK FACTORS—Operating Funds."

Investments of the District

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

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds for the purpose of constructing and/or acquiring road facilities in the principal amount of \$8,000,000, all of which remains outstanding (the "Outstanding Bonds") as of the date hereof.

Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that the District capitalized twenty-four (24) months of interest from the Outstanding Bonds proceeds in December 2024 and will capitalize twenty-four (24) months of interest from Series 2025 Bond proceeds and twelve (12) months of interest from Series 2025 Road Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds		Plus:		Plus:		Total
	Debt Service Requirements	The Series 2025 Bonds		The Series 2025 Road Bonds			
		Principal	Interest	Principal	Interest		
2026	\$ 530,262.50	\$ -	\$ 174,512.01	\$ -	\$ 98,004.38	\$ 802,778.89	
2027	529,537.50	105,000	239,787.50	60,000	134,662.50	1,068,987.50	
2028	528,162.50	110,000	232,962.50	60,000	130,837.50	1,061,962.50	
2029	526,137.50	115,000	225,812.50	65,000	126,937.50	1,058,887.50	
2030	523,462.50	120,000	218,337.50	70,000	122,712.50	1,054,512.50	
2031	520,137.50	130,000	210,537.50	70,000	118,162.50	1,048,837.50	
2032	516,162.50	135,000	202,087.50	75,000	113,612.50	1,041,862.50	
2033	511,537.50	145,000	193,312.50	80,000	108,737.50	1,038,587.50	
2034	511,262.50	150,000	186,062.50	85,000	103,737.50	1,036,062.50	
2035	511,262.50	160,000	180,062.50	90,000	100,337.50	1,041,662.50	
2036	515,862.50	165,000	173,662.50	95,000	96,737.50	1,046,262.50	
2037	514,862.50	175,000	167,062.50	100,000	92,937.50	1,049,862.50	
2038	518,462.50	185,000	160,062.50	105,000	88,937.50	1,057,462.50	
2039	521,462.50	195,000	152,662.50	110,000	84,737.50	1,063,862.50	
2040	523,862.50	205,000	144,618.75	115,000	80,200.00	1,068,681.25	
2041	530,662.50	215,000	135,906.25	120,000	75,312.50	1,076,881.25	
2042	531,662.50	225,000	126,768.75	125,000	70,212.50	1,078,643.75	
2043	537,062.50	240,000	117,206.25	130,000	64,900.00	1,089,168.75	
2044	541,181.25	250,000	107,006.25	140,000	59,375.00	1,097,562.50	
2045	544,475.00	265,000	96,381.25	145,000	53,425.00	1,104,281.25	
2046	546,943.75	280,000	84,787.50	155,000	47,081.25	1,113,812.50	
2047	548,587.50	290,000	72,537.50	160,000	40,300.00	1,111,425.00	
2048	554,406.25	305,000	59,850.00	170,000	33,300.00	1,122,556.25	
2049	559,193.75	325,000	46,125.00	180,000	25,650.00	1,135,968.75	
2050	562,950.00	340,000	31,500.00	190,000	17,550.00	1,142,000.00	
2051	-	360,000	16,200.00	200,000	9,000.00	585,200.00	
Total	\$ 13,259,562.50	\$ 5,190,000	\$ 3,755,812.01	\$ 2,895,000	\$ 2,097,398.13	\$ 27,197,772.64	

Average Annual Debt Service Requirements (2026-2051) \$1,046,068
Maximum Annual Debt Service Requirement (2050) \$1,142,000

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding	As of	Overlapping	
	Bonds		Percent	Amount
Harris County.....	\$ 2,257,734,736	9/30/2025	0.010%	\$ 225,773
Harris County Flood Control District.....	937,165,000	9/30/2025	0.010%	93,717
Harris County Hospital District.....	867,820,000	9/30/2025	0.010%	86,782
Harris County Department of Education.....	28,960,000	9/30/2025	0.010%	2,896
Port of Houston Authority.....	406,509,397	9/30/2025	0.010%	40,651
Crosby Independent School District.....	176,140,000	9/30/2025	2.520%	4,438,728
Total Estimated Overlapping Debt.....				\$ 4,888,547
The District.....	16,085,000 (a)	Current		16,085,000
Total Direct and Estimated Overlapping Debt.....				\$ 20,973,547

Direct Debt and Estimated Overlapping Debt as a Percentage of:

Estimated Taxable Assessed Valuation as of September 1, 2025 of \$114,279,16018.35%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2025 tax year by all taxing jurisdictions overlapping the District and the District's 2025 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.628868
Harris County Emergency Services District No. 80.....	0.046106
Harris County Emergency Services District No. 5.....	0.030000
Crosby Independent School District.....	<u>1.224100</u>
Total Overlapping Tax Rate.....	\$ 1.92907
The District (a).....	<u>1.35000</u>
Total Tax Rate.....	\$ 3.27907

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

TAX DATA

Debt Service Tax

The District covenants in the Bond Resolutions 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. See "—Historical Tax Rate Distribution" below, "—Tax Roll Information" herein, 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. A maintenance tax election was conducted November 3, 2015, and voters of the District authorized, among other things, the Board to levy a maintenance tax at an unlimited rate. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "—Debt Service Tax" above.

Historical Tax Rate Distribution

	2025	2024	2023	2022
Debt Service	\$ 0.320	\$ -	\$ -	\$ -
Maintenance and Operations	1.030	1.350	1.350	1.350
Total	<u>\$ 1.350</u>	<u>\$ 1.350</u>	<u>\$ 1.350</u>	<u>\$ 1.350</u>

Additional Penalties

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

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Collections as of September 30, 2025 (b)	
				Amount	Percent
2022	\$ 2,085,269	\$ 1.35	\$ 28,151	\$ 28,151	100.00%
2023	5,303,390	1.35	71,596	71,596	100.00%
2024	42,801,853	1.35	577,825	544,773	94.28%
2025	86,502,366	1.35	1,167,782	(c)	(c)

(a) As certified by the Appraisal District less any exemptions granted. See "—Tax Roll Information" below for gross appraised value and exemptions granted by the District.

(b) Unaudited.

(c) In process of collection. Taxes for 2025 are due by January 31, 2026.

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 2021 through 2025 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 uncertified portion of the 2025 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$114,279,160, are not available as of the date hereof.

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Uncertified Value	Taxable Assessed Valuations
	Land	Improvements	Personal Property				
2021	\$ 1,951,740	\$ 23,754	\$ -	\$ 1,975,494	\$ (409,770)	\$ -	\$ 1,565,724
2022	2,131,617	22,674	-	2,154,291	(69,022)	-	2,085,269
2023	5,343,407	-	-	5,343,407	(40,017)	-	5,303,390
2024	27,740,446	15,590,270	173,557	43,504,273	(702,420)	-	42,801,853
2025	24,714,334	57,693,257	341,603	82,749,194	(3,761,749)	7,514,921	86,502,366

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion (\$78,987,445) of the 2025 Taxable Assessed Valuation of \$86,502,366. Accurate principal taxpayer lists related to the uncertified portion (\$7,514,921) of the 2025 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$114,279,160, are not available as of the date hereof.

Taxpayer	2025 Certified	% of
	Taxable Assessed Valuation	2025 Certified Taxable Assessed Valuation
Meritage Homes of Texas LLC (a)(b)	\$ 11,303,792	14.31%
KRP Development SDC215 LLC (c)	2,344,895	2.97%
DFC Sundance LLC (a)	1,172,043	1.48%
DRP Solaris D LLC (b)(d)	1,145,950	1.45%
Clay Road 628 Development LP (c)	556,312	0.70%
Individual	380,404	0.48%
Individual	373,936	0.47%
Individual	370,005	0.47%
Individual	369,626	0.47%
Individual	367,664	0.47%
Total	\$ 18,384,627	23.28%

(a) See "THE DEVELOPERS."

(b) See "THE DISTRICT—Homebuilding."

(c) Related entities. See "THE DEVELOPERS."

(d) Davidson Homes contracted with DRP Solaris D, LLC, a Delaware limited liability company, a special purpose entity formed by DW Partners, LP for the purpose of purchasing the vacant developed lots and selling them back to Davidson Homes as needed for homebuilding.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$114,279,160. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds, when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "RISK FACTORS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2026-2051) \$1,046,068
\$0.97 Tax Rate on the Estimated Taxable Assessed Valuation as of September 1, 2025 \$1,053,082

Maximum Annual Debt Service Requirement (2050)..... \$1,142,000
\$1.06 Tax Rate on the Estimated Taxable Assessed Valuation as of September 1, 2025 \$1,150,791

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of September 1, 2025, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its 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, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions to levy such taxes from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The 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; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. 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, for open space land, and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. 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 notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

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

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

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

Developing Districts: Districts that do not meet the classification of a 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 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 2025 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after

the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. 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—Tax Collection Limitations and Foreclosure Remedies."

RISK FACTORS

General

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

Dependence on Principal Taxpayers and the Developers

The principal taxpayers represent \$18,384,627 or approximately 23.28% of the certified portion (\$78,987,445) of the 2025 Taxable Assessed Valuation of \$86,502,366, which represents ownership as of January 1, 2025. The Developers represent \$15,377,042 or approximately 19.47% of such value. See "THE DEVELOPERS" and "TAX DATA—Principal Taxpayers." Accurate principal taxpayer lists related to the uncertified portion (\$7,514,921) of the 2025 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of September 1, 2025 are not available as of the date hereof. The ability of the Developers or any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolutions, nor is it required by Texas law, to maintain any particular balance in its Debt Service Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District's ability to pay debt service on the Bonds. See "THE DEVELOPERS" and "TAX DATA—Principal Taxpayers."

The Developers and their affiliates have informed the Board that their current plans are to develop the remaining undeveloped land. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District 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 or governmental circumstances may have on any plans of the Developers or any other landowner. See "THE DEVELOPERS."

Undeveloped Acreage and Vacant Lots

There are approximately 238 developable acres of land within the District that have not been fully provided with water, wastewater, storm drainage and paving facilities necessary to the construction of new development (including approximately 133 acres where construction is underway for the development of 612 single-family residential lots) and 360 single-family residential lots remain vacant as of October 7, 2025. Failure of the Developers or other landowners to develop the developable land or to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of lots and homes. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. See "THE DISTRICT—Land Use," "—Status of Development" and "—Future Development."

Operating Funds

The District's current primary source of operating revenue is maintenance tax revenue and water and sewer revenue. The District levied a 2025 maintenance tax rate of \$1.03 per \$100 of taxable assessed valuation. See "TAX DATA—Historical Tax Rate Distribution." The District's Operating Fund balance as of October 7, 2025 was \$311,345; however, in previous fiscal years the District has depended on advances from the Developers to fund operations. Obtaining and maintaining a positive Operating Fund balance will depend upon one or more of the following: (1) continued development and water revenues; (2) increased amounts of maintenance tax revenue; (3) tap revenues; and (4) developer advances. See "THE SYSTEM—General Operating Fund," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" and "TAX DATA—Maintenance and Operations Tax."

Landowner Obligation to the District

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

Increase in Costs of Building Materials

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

Competition

The demand for and construction of single-family homes in the District could be affected by competition from other residential developments located in the northeastern portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots available for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Market and Liquidity in the Financial Markets" herein), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on 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 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, 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 30 miles northeast of the central downtown business district of the City of Houston, 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 the national financial and credit markets. A downturn in the economic conditions of the City of Houston and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The Estimated Taxable Assessed Valuation as of September 1, 2025 is \$114,279,160. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,142,000 (2050), and the average annual debt service requirement will be \$1,046,068 (2026-2051, inclusive). Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of September 1, 2025, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$1.06 and \$0.97 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds and the Outstanding Bonds based upon the Estimated Taxable Assessed Valuation as of September 1, 2025, the District can make no representations regarding the future level of assessed valuation within the District. See "TAXING PROCEDURES."

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. The District's voters have authorized a total of \$165,650,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing road facilities and \$165,650,000 principal amount of unlimited tax bonds for refunding such bonds, \$350,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities and \$350,200,000 principal amount of unlimited tax bonds for refunding such bonds and \$84,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing park and recreational facilities and \$84,000,000 principal amount of unlimited tax bonds for refunding such bonds. After the issuance of the Bonds, \$154,755,000 principal amount of the unlimited tax bonds for road facilities will remain authorized but unissued, \$345,010,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities and all of the authorized amounts for park and recreational facilities will be authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developers have advanced certain funds for engineering and construction of water, wastewater and drainage facilities, recreational facilities and roads and related facilities for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately \$48,000,000 plus interest to the Developers. The District intends to issue additional bonds in order to reimburse the Developers and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 105 acres excluding the 133 acres under construction for the development of 612 single-family residential lots). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry may 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.

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

Specific Flood Type Risks

The District is subject to the following flood risks:

River (or Fluvial) Flood: occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

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

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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolutions, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, 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 Resolutions. Except for mandamus, the Bond Resolutions do 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 Resolutions may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

Marketability of the Bonds

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into separate agreements with Assured Guaranty Inc. ("AG" or the "Insurer") for the purchase of separate municipal bond insurance policies (each a "Bond Insurance Policy" and collectively, the "Bond Insurance Policies") to be issued concurrently with the Bonds. At the time of entering into the agreements, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

The long-term ratings on the Bonds are dependent in part on the financial strength of 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.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of 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 DISTRICT—General,” “—Development Agreement with the City of Houston,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may be supplemented or amended through the date of 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 Resolutions that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolutions 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 Resolutions 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 Resolutions 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% disallowance of allocable interest expense.

Additional Federal Income Tax Considerations

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax 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 inside 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, separate municipal bond insurance policies 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. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in their 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 "Bond Insurer") will issue separate municipal bond insurance policies (each a "Bond Insurance Policy" and collectively, the "Bond Insurance Policies") for the Bonds. The Bond Insurance Policies guarantee the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policies included as APPENDIX B to this OFFICIAL STATEMENT.

The Bond Insurance 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 August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s 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).

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 June 30, 2025:

- The policyholders’ surplus of AG was approximately \$3,514 million.
- The contingency reserve of AG was approximately \$1,453 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,437 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);
- (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); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 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.”

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District’s historical assessed value and principal taxpayers, including particularly such information contained in the section entitled “TAX DATA” has been provided by Utility 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 District’s water, wastewater and storm drainage system and, in particular that information included in the sections entitled “THE DISTRICT,” “THE SYSTEM” and “THE ROAD SYSTEM” has been provided by Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc., and has been included herein in reliance upon the authority of said firm as the District’s Engineer.

Auditor: The District’s financial statements for the period ending February 28, 2025 were audited by McGrath & Co., PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s February 28, 2025 financial statements.

Bookkeeper: The information related to the “unaudited” summary of the District's General Fund as it appears in “THE SYSTEM—Water and Wastewater Operations” has been provided by Myrtle Cruz Inc. and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data to the MSRB through EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” “TAX DATA,” and in “APPENDIX A” (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain 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 an 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 Resolutions make 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, operational data, or financial statements in accordance with its agreement described under “—Annual Reports.”

Availability of Information from the MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt 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 Resolutions 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 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 District issued its initial series of bonds in 2024, and since that time has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Municipal Utility District No. 525, as of the date shown on the cover page.

/s/ Mark Sikes
President, Board of Directors

ATTEST:

/s/ Scott Frankovich
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of September 2025)

An aerial photograph showing a portion of Harris County, Texas. A yellow outline delineates the boundary of Harris County Municipal Utility District No. 525. The district includes several large ponds, some with surrounding parking lots, and areas of dense forest. To the west of the district is Lake Houston. To the east, a road labeled 'FOLEY RD.' is visible. A north arrow is located in the lower-left quadrant of the image.

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 525**

**LAKE
HOUSTON**

FOLEY RD.



PHOTOGRAPHS OF THE DISTRICT
(As of October 2025)













APPENDIX A

Financial Statement of the District for the Fiscal Year Ended February 28, 2025

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 525**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2025

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
 BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		18
Notes to Financial Statements		21
 REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		36
Notes to Required Supplementary Information		37
 TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	40
General Fund Expenditures	TSI-2	42
Investments	TSI-3	43
Taxes Levied and Receivable	TSI-4	44
Long-Term Debt Service Requirements by Years	TSI-5	45
Change in Long-Term Bonded Debt	TSI-6	46
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	48
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	50
Board Members, Key Personnel and Consultants	TSI-8	51

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 525
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 525 (the "District"), as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 525, as of February 28, 2025, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

***Board of Directors
Harris County Municipal Utility District No. 525
Harris County, Texas***

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.

***Board of Directors
Harris County Municipal Utility District No. 525
Harris County, Texas***

Required Supplementary Information

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

Supplementary Information

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

McGuire & Co, P.C.

Houston, Texas
June 3, 2025

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

***Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025***

Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 525 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at February 28, 2025, was negative \$18,026,108. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Harris County and relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of February 28, 2025 and February 29, 2024, is as follows:

	2025	2024
Current and other assets	\$ 1,487,549	\$ 412,924
Capital assets	16,474,167	11,817,136
Total assets	<u>17,961,716</u>	<u>12,230,060</u>
Current liabilities	349,781	289,321
Long-term liabilities	35,638,043	21,684,603
Total liabilities	<u>35,987,824</u>	<u>21,973,924</u>
Net position		
Net investment in capital assets	(2,886,368)	(125,467)
Restricted	684,489	
Unrestricted	(15,824,229)	(9,618,397)
Total net position	<u>\$ (18,026,108)</u>	<u>\$ (9,743,864)</u>

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these

Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025

infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 5).

The total net position of the District decreased during the current fiscal year by \$8,395,872. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	\$ 571,003	\$ 74,080
Water and sewer	409,403	38,822
Surface water fees	67,813	3,518
Other	529,582	269,652
Total revenues	<u>1,577,801</u>	<u>386,072</u>
Expenses		
Current service operations	1,243,182	521,923
Debt interest and fees	87,257	
Developer interest	486,089	
Debt issuance costs	634,431	
Depreciation	266,807	125,467
Total expenses	<u>2,717,766</u>	<u>647,390</u>
Change in net position before other item	(1,139,965)	(261,318)
Other item		
Landscaping improvements	(1,869,501)	
Transfers to other governments	<u>(5,386,406)</u>	<u>(8,754,184)</u>
Change in net position	(8,395,872)	(9,015,502)
Net position, beginning of year (2025 restated)	<u>(9,630,236)</u>	<u>(728,362)</u>
Net position, end of year	<u>\$ (18,026,108)</u>	<u>\$ (9,743,864)</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 5).

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2025, were \$1,101,740, which consists of \$358,953 in the General Fund, \$650,818 in the Debt Service Fund and \$91,969 in the Capital Projects Fund.

***Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025***

General Fund

A comparative summary of the General Fund's financial position as of February 28, 2025 and February 29, 2024, is as follows:

	2025	2024
Total assets	<u>\$ 744,762</u>	<u>\$ 412,924</u>
Total liabilities	\$ 349,781	\$ 289,321
Total deferred inflows	36,028	
Total fund balance	358,953	123,603
Total liabilities, deferred inflows and fund balance	<u>\$ 744,762</u>	<u>\$ 412,924</u>

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

	2025	2024
Total revenues	\$ 1,534,047	\$ 386,072
Total expenditures	<u>(1,498,697)</u>	<u>(521,923)</u>
Revenues over/(under) expenditures	35,350	(135,851)
Other changes in fund balance	200,000	240,350
Net change in fund balance	<u>\$ 235,350</u>	<u>\$ 104,499</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, tap connection fees charged to homebuilders in the District and 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. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs.

***Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025***

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of February 28, 2025 is as follows:

Total assets	<u>\$ 650,818</u>
Total fund balance	<u>\$ 650,818</u>

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	\$ 7,550
Total expenditures	<u>(87,257)</u>
Revenues under expenditures	(79,707)
Other changes in fund balance	<u>730,525</u>
Net change in fund balance	<u>\$ 650,818</u>

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2024 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of February 28, 2025, is as follows:

Total assets	<u>\$ 91,969</u>
Total fund balance	<u>\$ 91,969</u>

A summary of activities of the Capital Projects Fund for the current fiscal year is as follows:

Total revenues	\$ 176
Total expenditures	<u>(7,177,682)</u>
Revenues under expenditures	(7,177,506)
Other changes in fund balance	<u>7,269,475</u>
Net change in fund balance	<u>\$ 91,969</u>

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 \$164,622 greater than budgeted. The *Budgetary*

***Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025***

Comparison Schedule on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at February 28, 2025 and February 29, 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 6,296,623</u>	<u>\$ 6,296,623</u>
Capital assets being depreciated		
Infrastructure	10,582,443	5,645,980
Less accumulated depreciation	<u>(404,899)</u>	<u>(125,467)</u>
Depreciable capital assets, net	<u>10,177,544</u>	<u>5,520,513</u>
Capital assets, net	<u><u>\$ 16,474,167</u></u>	<u><u>\$ 11,817,136</u></u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 5).

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

- Water meters
- Sundance Cove, Section 3 – water and sewer facilities
- Sundance Cove, Section 4 - water and sewer facilities
- Sundance Cove, Section 6 - water and sewer facilities
- Sundance Cove, Section 7 - water and sewer facilities
- Water Plant

Additionally, Harris County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended February 28, 2025, capital assets in the amount of \$5,386,406 have been recorded as transfers to other governments in the government-wide statements.

***Harris County Municipal Utility District No. 525
Management's Discussion and Analysis
February 28, 2025***

Long-Term Debt and Related Liabilities

As of February 28, 2025, the District owes approximately \$27,638,043 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$18,689,224 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

During the current fiscal year, the District issued \$8,000,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of February 29, 2024.

At February 28, 2025, the District had \$350,200,000 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 \$350,200,000 for the refunding of such bonds; \$84,000,000 for parks and recreational facilities and \$84,000,000 for the refunding of such bonds; and \$157,650,000 for road improvements and \$165,650,000 for the refunding of such bonds.

Next Year's Budget

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

	<u>2025 Actual</u>	<u>2026 Budget</u>
Total revenues	\$ 1,534,047	\$ 1,238,256
Total expenditures	<u>(1,498,697)</u>	<u>(1,637,612)</u>
Revenues over/(under) expenditures	35,350	(399,356)
Other changes in fund balance	<u>200,000</u>	<u>450,000</u>
Net change in fund balance	235,350	50,644
Beginning fund balance	<u>123,603</u>	<u>358,953</u>
Ending fund balance	<u><u>\$ 358,953</u></u>	<u><u>\$ 409,597</u></u>

(This page intentionally left blank)

Basic Financial Statements

Harris County Municipal Utility District No. 525
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 642,816	\$ -	\$ 91,969	\$ 734,785
Investments		650,818		650,818
Taxes receivable	36,028			36,028
Customer service receivables	62,362			62,362
Prepaid items	3,556			3,556
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 744,762</u>	<u>\$ 650,818</u>	<u>\$ 91,969</u>	<u>\$ 1,487,549</u>
Liabilities				
Accounts payable	\$ 119,703	\$ -	\$ -	\$ 119,703
Other payables	5,559			5,559
Customer deposits	182,019			182,019
Builder deposits	42,500			42,500
Due to developers				
Long-term debt				
Due after one year				
Total Liabilities	<u>349,781</u>			<u>349,781</u>
Deferred Inflows of Resources				
Deferred property taxes	<u>36,028</u>			<u>36,028</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	3,556			3,556
Restricted		650,818	91,969	742,787
Unassigned	355,397			355,397
Total Fund Balances	<u>358,953</u>	<u>650,818</u>	<u>91,969</u>	<u>1,101,740</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 744,762</u>	<u>\$ 650,818</u>	<u>\$ 91,969</u>	<u>\$ 1,487,549</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				
See notes to basic financial statements.				

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 734,785
	650,818
	36,028
	62,362
	3,556
6,296,623	6,296,623
<u>10,177,544</u>	<u>10,177,544</u>
<u>16,474,167</u>	<u>17,961,716</u>
	119,703
	5,559
	182,019
	42,500
27,638,043	27,638,043
<u>8,000,000</u>	<u>8,000,000</u>
<u>35,638,043</u>	<u>35,987,824</u>
<u>(36,028)</u>	
(3,556)	
(742,787)	
<u>(355,397)</u>	
<u>(1,101,740)</u>	
(2,886,368)	(2,886,368)
684,489	684,489
<u>(15,824,229)</u>	<u>(15,824,229)</u>
<u>\$ (18,026,108)</u>	<u>\$ (18,026,108)</u>

Harris County Municipal Utility District No. 525**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	\$ 98,718	\$ -	\$ -	\$ 98,718
Sewer service	310,685			310,685
Property taxes	528,535			528,535
Penalties and interest	6,440			6,440
Surface water fees	67,813			67,813
Tap connection and inspection	520,615			520,615
Miscellaneous	500			500
Investment earnings	741	7,550	176	8,467
Total Revenues	<u>1,534,047</u>	<u>7,550</u>	<u>176</u>	<u>1,541,773</u>
Expenditures/Expenses				
Current service operations				
Purchased services	300,024			300,024
Professional fees	195,994		25,000	220,994
Contracted services	225,658			225,658
Repairs and maintenance	417,875			417,875
Utilities	21,462			21,462
Administrative	29,524			29,524
Other	27,610		35	27,645
Capital outlay	280,550		6,032,127	6,312,677
Debt service				
Interest and fees		87,257		87,257
Developer interest			486,089	486,089
Debt issuance costs			634,431	634,431
Depreciation				
Total Expenditures/Expenses	<u>1,498,697</u>	<u>87,257</u>	<u>7,177,682</u>	<u>8,763,636</u>
Revenues Over/(Under) Expenditures/ Expenses	35,350	(79,707)	(7,177,506)	(7,221,863)
Other Financing Sources				
Proceeds from sale of bonds		730,525	7,269,475	8,000,000
Developer advances	200,000			200,000
Other Items				
Landscaping improvements				
Transfers to other governments				
Net Change in Fund Balances	235,350	650,818	91,969	978,137
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	123,603	-	-	123,603
Change due to new accounting guidance (See Note 3)				
Beginning of the year, as restated	<u>123,603</u>			<u>123,603</u>
End of the year	<u>\$ 358,953</u>	<u>\$ 650,818</u>	<u>\$ 91,969</u>	<u>\$ 1,101,740</u>

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ -	\$ 98,718
	310,685
33,671	562,206
2,357	8,797
	67,813
	520,615
	500
	8,467
<u>36,028</u>	<u>1,577,801</u>
	300,024
	220,994
	225,658
	417,875
	21,462
	29,524
	27,645
(6,312,677)	
	87,257
	486,089
	634,431
<u>266,807</u>	<u>266,807</u>
<u>(6,045,870)</u>	<u>2,717,766</u>
6,081,898	(1,139,965)
(8,000,000)	
(200,000)	
(1,869,501)	(1,869,501)
<u>(5,386,406)</u>	<u>(5,386,406)</u>
(978,137)	
(8,395,872)	(8,395,872)
(9,867,467)	(9,743,864)
<u>113,628</u>	<u>113,628</u>
<u>(9,753,839)</u>	<u>(9,630,236)</u>
<u>\$ (19,127,848)</u>	<u>\$ (18,026,108)</u>

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 525 (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 1464, 81st Session, dated May 27, 2009, and operates in accordance with Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Texas Water Code, Chapters 49 and 54, and Chapter 8326 Special District Local Laws Code. The Board of Directors held its first meeting on August 17, 2015, and the first bonds were issued on December 5, 2024.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, park and road facilities within the District. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2025, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Capital Assets

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

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

Depreciable capital assets, which primarily consist of water and wastewater facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

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

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

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.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 1,101,740
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 16,879,066	
Less accumulated depreciation	<u>(404,899)</u>	
		16,474,167

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Due to developer	(27,638,043)	
Bonds payable	<u>(8,000,000)</u>	
		(35,638,043)

Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.

36,028

Total net position - governmental activities	<u><u>\$ (18,026,108)</u></u>
--	-------------------------------

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

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

\$ 978,137

Net change in fund balances - total governmental funds

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.

36,028

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

Capital outlays	\$	6,312,677	
Transfers to other governments		(5,386,406)	
Landscaping improvements		(1,869,501)	
Depreciation		<u>(266,807)</u>	
			(1,210,037)

Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Issuance of long-term debt		(8,000,000)	
Developer advances		<u>(200,000)</u>	
			(8,200,000)

Change in net position of governmental activities	\$	<u><u>(8,395,872)</u></u>
---	----	---------------------------

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. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government-wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize \$113,628 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management's Discussion and Analysis and supplementary schedules were not restated.

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 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.

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

As of February 28, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	Debt Service	\$ 650,818	AAAm	35 days

TexSTAR

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

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

Investment Credit and Interest Rate Risk

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 6,296,623	\$ -	\$ 6,296,623
Capital assets being depreciated			
Infrastructure	5,772,233	4,810,210	10,582,443
Less accumulated depreciation	(138,092)	(266,807)	(404,899)
Subtotal depreciable capital assets, net	5,634,141	4,543,403	10,177,544
Capital assets, net	\$ 11,930,764	\$ 4,543,403	\$ 16,474,167

Depreciation expense for the current fiscal year was \$266,807.

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

As discussed in Note 3, the District recorded a restatement to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

Note 6 – Due to Developers

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

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

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

Due to developer, beginning of year	\$ 21,684,603
Developer reimbursements	(6,032,127)
Developer funded construction and adjustments	11,785,567
Operating advances from developer	<u>200,000</u>
Due to developer, end of year	<u><u>\$ 27,638,043</u></u>

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

In addition, the District will owe the developers approximately \$18,689,224, 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
Sundance Cove, Section 8 - utilities and paving	\$ 2,509,737	40%
Sundance Cove, Section 9 - utilities and paving	1,883,544	63%
Sundance Cove, Phase 2 - clearing and grubbing	759,925	98%
Sundance Cove, Phase 3 - clearing and grubbing	1,080,250	77%
Sundance Cove, Phase 2 - detention and earthwork	2,747,175	66%
Sundance Cove, Phase 3 - detention and earthwork	2,516,504	0%
Lift Station No. 1	1,098,310	95%
Lift Station No. 2	1,404,785	0%
Sundance Cove - borrow pit A	281,650	0%
Sundance Cove - borrow pit B	510,231	59%
Sundance Cove, Phase 2 - wastewater and force main	539,680	84%
Sundance Cove Recreation Center and Park	3,357,432	9%
	<u>\$ 18,689,224</u>	

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 8,000,000</u>
Due within one year	<u>\$ -</u>

The District's bonds payable at February 28, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2024 Road	\$ 8,000,000	\$ 8,000,000	4.00% - 6.50%	September 1, 2026/2050	September 1, March 1	September 1, 2031

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

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

At February 28, 2025, the District had authorized but unissued bonds in the amount of \$350,200,000 for water, sewer and drainage facilities and \$350,200,000 for the refunding of such bonds; \$84,000,000 for park and recreational facilities and \$84,000,000 for the refunding of such bonds; and \$157,650,000 for road improvements and \$165,650,000 for the refunding of such bonds.

On December 5, 2024, the District issued its \$8,000,000 Series 2024 Unlimited Tax Road Bonds at a net effective interest rate of 4.447581%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, and other costs associated with the construction of capital assets; and right-of-way land acquisitions, (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	<u>8,000,000</u>
Bonds payable, end of year	<u><u>\$ 8,000,000</u></u>

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

The debt service payment due March 1st was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 28, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ -	\$ 365,263	\$ 365,263
2027	165,000	359,900	524,900
2028	175,000	348,850	523,850
2029	185,000	337,150	522,150
2030	195,000	324,800	519,800
2031	205,000	311,800	516,800
2032	215,000	298,150	513,150
2033	225,000	283,850	508,850
2034	235,000	268,900	503,900
2035	250,000	256,263	506,263
2036	260,000	246,063	506,063
2037	275,000	235,363	510,363
2038	285,000	224,163	509,163
2039	300,000	212,463	512,463
2040	315,000	200,163	515,163
2041	330,000	187,263	517,263
2042	350,000	173,663	523,663
2043	365,000	159,363	524,363
2044	385,000	144,122	529,122
2045	405,000	127,828	532,828
2046	425,000	110,709	535,709
2047	445,000	92,765	537,765
2048	465,000	73,996	538,996
2049	490,000	54,299	544,299
2050	515,000	33,571	548,571
2051	540,000	11,474	551,474
	<u>\$ 8,000,000</u>	<u>\$ 5,442,194</u>	<u>\$ 13,442,194</u>

Note 8 – Property Taxes

On November 3, 2015, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations without limit per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$1.35 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$571,316 on the adjusted taxable value of \$42,319,687.

Property taxes receivable, at February 28, 2025, consisted of the following:

Current year taxes receivable	\$ 33,671
Penalty and interest receivable	2,357
Property taxes receivable	<u>\$ 36,028</u>

Note 9 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads and storm drainage facilities constructed in the District within the county limits. Accordingly, these facilities are considered to be capital assets of Harris County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended February 28, 2025, the District recorded transfers to other governments in the amount of \$5,386,406 for roads and storm drainage facilities constructed by a developer within the District.

Note 10 – Wholesale Wastewater Supply Agreement

On May 3, 2022, and amended on February 7, 2023, the District and Utilities Investment Co., Inc (“UICI”) entered into an agreement for wholesale wastewater service necessary to serve customers within the District. UICI will be responsible for all costs necessary to construct the wastewater treatment plant facility (“the plant”) sufficient to provide wastewater treatment service for the full development of the District. UICI is responsible for the operation and maintenance of the plant at its sole cost. The District has the exclusive right and option to purchase the plant within the first three years following the effective date of the agreement.

The District is responsible for all costs necessary to construct sewer conveyance lines to the point of connection at the plant. The District’s internal facilities will be owned, operated, and maintained by the District at its sole cost. The District will own and have exclusive rights to all of the capacity within the plant for use and benefit of the District.

Once service is provided, UICI shall charge the District a rate of \$52.50 per month per ESFC, with expected rate increases based on District development, with a cap on such rate increases at a maximum of \$2.50 per ESFC. UICI will also charge the District \$700 for each new customer located within the District requesting service. For the current fiscal year, the District paid \$300,024 for purchased wastewater treatment service.

Note 11 – Strategic Partnership Agreement

Effective December 5, 2017, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of

Harris County Municipal Utility District No. 525
Notes to Financial Statements
February 28, 2025

the Local Government Code and Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The City imposes a Sales and Use Tax within the boundaries of the Tract at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues within 30 days of the City receiving the funds from the State Comptroller’s office. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this agreement. The term of this agreement is 30 years from its effective date.

Note 12 – 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 13 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers’ willingness to make future operating advances and to pay property taxes will directly affect the District’s ability to meet its future obligations.

Required Supplementary Information

***Harris County Municipal Utility District No. 525
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2025***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 79,500	\$ 98,718	\$ 19,218
Sewer service	255,500	310,685	55,185
Property taxes	545,456	528,535	(16,921)
Penalties and interest	5,700	6,440	740
Tap connection and inspection	423,900	520,615	96,715
City of Houston fees	50,000	67,813	17,813
Miscellaneous		500	500
Investment earnings		741	741
Total Revenues	1,360,056	1,534,047	173,991
Expenditures			
Current service operations			
Purchased services	318,696	300,024	18,672
Professional fees	199,200	195,994	3,206
Contracted services	140,420	225,658	(85,238)
Repairs and maintenance	521,000	417,875	103,125
Utilities	22,000	21,462	538
Administrative	38,400	29,524	8,876
Other	49,812	27,610	22,202
Capital outlay	199,800	280,550	(80,750)
Total Expenditures	1,489,328	1,498,697	(9,369)
Revenues Over/(Under) Expenditures	(129,272)	35,350	164,622
Other Financing Sources			
Developer advances	200,000	200,000	
Net Change in Fund Balance	70,728	235,350	164,622
Fund Balance			
Beginning of the year	123,603	123,603	
End of the year	\$ 194,331	\$ 358,953	\$ 164,622

Harris County Municipal Utility District No. 525
Notes to Required Supplementary Information
February 28, 2025

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.

(This page intentionally left blank)

Texas Supplementary Information

Harris County Municipal Utility District No. 525

TSI-1. Services and Rates

February 28, 2025

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

- | | | | |
|---|---|---|--|
| ☒ Retail Water | ☐ Wholesale Water | ☒ Solid Waste / Garbage | ☒ Drainage |
| ☒ Retail Wastewater | ☐ Wholesale Wastewater | ☐ Flood Control | ☐ Irrigation |
| ☒ Parks / Recreation | ☐ Fire Protection | ☒ Roads | ☐ Security |
| ☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| ☐ Other (Specify): _____ | | | |

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 18.00	6,000	N	\$ 1.75	6,001 to	10,000
				2.50	10,001 to	15,000
				3.25	15,001 to	20,000
				4.00	20,001 to	30,000
				5.00	30,001 to	no limit
Wastewater:	\$ 89.50	N/A	Y	N/A	N/A to	N/A
Groundwater reduction:	\$ 4.62	1,000	N	\$ 4.62	1,001 to	no limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 71.20 Wastewater \$ 89.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	375	375	x 1.0	375
1"	2	2	x 2.5	5
1.5"	1	1	x 5.0	5
2"	4	4	x 8.0	32
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	382	382		417
Total Wastewater	373	373	x 1.0	373

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-1. Services and Rates
February 28, 2025

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

Gallons pumped into system:	<u>28,067,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>24,266,000</u>	<u>86.46%</u>

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

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

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

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

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-2. General Fund Expenditures
For the Year Ended February 28, 2025

Purchased services	<u>\$ 300,024</u>
Professional fees	
Legal	119,092
Audit	24,000
Engineering	52,902
	<u>195,994</u>
Contracted services	
Bookkeeping	9,838
Operator	39,712
Garbage collection	50,253
Tap connection and inspection	65,670
Tax Assessor/Collector	9,368
Appraisal District Fees	2,435
Sludge removal	48,382
	<u>225,658</u>
Repairs and maintenance	<u>417,875</u>
Utilities	<u>21,462</u>
Administrative	
Directors fees	9,282
Printing and office supplies	3,500
Insurance	8,174
Other	8,568
	<u>29,524</u>
Other	<u>27,610</u>
Capital outlay	<u>280,550</u>
Total expenditures	<u><u>\$ 1,498,697</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-3. Investments
February 28, 2025

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
Debt Service			
TexSTAR	Variable	N/A	\$ 650,818

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-4. Taxes Levied and Receivable
February 28, 2025

	Maintenance Taxes		
Taxes Receivable, Beginning of Year	\$	-	
Adjustments to Prior Year Tax Levy		(9,110)	
Adjusted Receivable		(9,110)	
2024 Original Tax Levy		525,001	
Adjustments		46,315	
Adjusted Tax Levy		571,316	
Total to be accounted for		562,206	
Tax collections:			
Current year		537,645	
Prior years		(9,110)	
Total Collections		528,535	
Taxes Receivable, End of Year	\$	33,671	
Taxes Receivable, By Years			
2024	\$	33,671	
	2024	2023	2022
Property Valuations:			
Land	\$ 27,254,089	\$ 5,343,407	\$ 2,154,291
Improvements	15,356,510		
Personal Property	173,557		
Exemptions	(464,469)	(40,017)	(69,022)
Total Property Valuations	\$ 42,319,687	\$ 5,303,390	\$ 2,085,269
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 1.35	\$ 1.35	\$ 1.35
Adjusted Tax Levy:	\$ 571,316	\$ 71,596	\$ 28,151
Percentage of Taxes Collected to Taxes Levied **	94.11%	100.00%	100.00%

* Unlimited Maintenance Tax Rate Approved by Voters on November 3, 2015.

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-5. Long-Term Debt Service Requirements
Series 2024 Road--by Years
February 28, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ -	\$ 365,263	\$ 365,263
2027	165,000	359,900	524,900
2028	175,000	348,850	523,850
2029	185,000	337,150	522,150
2030	195,000	324,800	519,800
2031	205,000	311,800	516,800
2032	215,000	298,150	513,150
2033	225,000	283,850	508,850
2034	235,000	268,900	503,900
2035	250,000	256,263	506,263
2036	260,000	246,063	506,063
2037	275,000	235,363	510,363
2038	285,000	224,163	509,163
2039	300,000	212,463	512,463
2040	315,000	200,163	515,163
2041	330,000	187,263	517,263
2042	350,000	173,663	523,663
2043	365,000	159,363	524,363
2044	385,000	144,122	529,122
2045	405,000	127,828	532,828
2046	425,000	110,709	535,709
2047	445,000	92,765	537,765
2048	465,000	73,996	538,996
2049	490,000	54,299	544,299
2050	515,000	33,571	548,571
2051	540,000	11,474	551,474
	<u>\$ 8,000,000</u>	<u>\$ 5,442,194</u>	<u>\$ 13,442,194</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-6. Change in Long-Term Bonded Debt
February 28, 2025

	Bond Issue Series 2024 Road
Interest rate	4.00% - 6.50%
Dates interest payable	9/1; 3/1
Maturity dates	9/1/26 - 9/1/50
Beginning bonds outstanding	\$ -
Bonds issued	<u>8,000,000</u>
Ending bonds outstanding	<u>\$ 8,000,000</u>
Interest paid during fiscal year	<u>\$ 87,257</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A., Houston, Texas</u>

	Water, Sewer and Drainage Bonds	Road Facilities Bonds	Park and Recreational Facilities Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 350,200,000	\$ 165,650,000	\$ 84,000,000
Amount Issued		(8,000,000)	
Remaining To Be Issued	<u>\$ 350,200,000</u>	<u>\$ 157,650,000</u>	<u>\$ 84,000,000</u>

	Water, Sewer and Drainage Refunding Bonds	Road Facilities Refunding Bonds	Park and Recreational Facilities Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 350,200,000	\$ 165,650,000	\$ 84,000,000
Amount Issued			
Remaining To Be Issued	<u>\$ 350,200,000</u>	<u>\$ 165,650,000</u>	<u>\$ 84,000,000</u>

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

Debt Service Fund cash and investments balance as of February 28, 2025:	<u>\$ 650,818</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 517,007</u>

See accompanying auditor's report.

(This page intentionally left blank)

Harris County Municipal Utility District No. 525

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Four Fiscal Years

	Amounts			
	2025	2024	2023	2022**
Revenues				
Water service	\$ 98,718	\$ 10,487	\$ -	\$ -
Sewer service	310,685	28,335		
Property taxes	528,535	71,818	37,049	1,750
Penalties and interest	6,440	2,262		
City of Houston fees	67,813	3,518		
Tap connection and inspection	520,615	269,610		
Miscellaneous	500		91	2
Investment earnings	741	42		48
Total Revenues	1,534,047	386,072	37,140	1,800
Expenditures				
Current service operations				
Purchased services	300,024			
Professional fees	195,994	191,584	278,593	87,712
Contracted services	225,658	154,613	11,915	13,366
Repairs and maintenance	417,875	126,592		
Utilities	21,462	1,090		
Administrative	29,524	18,674	19,265	7,685
Other	27,610	29,370	6,104	1,481
Capital outlay	280,550			
Total Expenditures	1,498,697	521,923	315,877	110,244
Revenues Over/(Under) Expenditures	\$ 35,350	\$ (135,851)	\$ (278,737)	\$ (108,444)
Total Active Retail Water Connections	382	186	N/A	N/A
Total Active Retail Wastewater Connections	373	182	N/A	N/A

*Percentage is negligible

**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues			
2025	2024	2023	2022**
6%	3%		
20%	7%		
36%	19%	100%	97%
*	1%		
4%	1%		
34%	69%		
*		*	*
*	*		3%
100%	100%	100%	100%

20%			
13%	50%	750%	4873%
15%	40%	32%	743%
27%	33%		
1%	*		
2%	5%	52%	427%
2%	8%	16%	82%
18%			
98%	136%	850%	6,125%
2%	(36%)	(750%)	(6,025%)

Harris County Municipal Utility District No. 525

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year*

	Amounts	Percent of Fund Total Revenues
	2025	2025
Revenues		
Investment earnings	\$ 7,550	-%
Expenditures		
Debt service		
Interest and fees	87,257	-
Revenues Under Expenditures	\$ (79,707)	-%

See accompanying auditor's report.

Harris County Municipal Utility District No. 525
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2025

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number: 713-860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 8, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Mark Sikes	05/22 - 05/26	\$ 2,431	\$ -	President
Lorenzo Rivera	07/22 - 05/26	2,652	212	Vice President
Scott Frankovich	05/24 - 05/28	1,989	323	Secretary
David Wise	12/23 - 05/26	2,431		Assistant Vice President
Rayan Bekhradi	05/24 - 05/28	2,210		Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	2021	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 122,876		
<i>Bond counsel</i>		208,000		
Municipal District Services, LLC	2021	796,899		Operator
Myrtle Cruz, Inc.	2015	12,755		Bookkeeper
Utility Tax Service, LLC	2016	10,868		Tax Collector
Harris Central Appraisal District	Legislation	2,435		Property Valuation
Perdue, Brandon Fielder Collins & Mott, LLP	2022			Delinquent Tax Attorney
EHRA Engineering	2015	87,985		Engineer
KGA/DeForest Design, LLC	2022	6,442		Landscaping Engineer
McGrath & Co., PLLC	2024	33,000		Auditor
Masterson Advisors LLC	2021	158,181		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policies



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)