

OFFICIAL STATEMENT DATED MAY 21, 2026

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

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

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured)....."AA"  
Moody's Ratings (Underlying) ..... "Baa2"  
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

\$9,250,000

BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1 OF MONTGOMERY COUNTY

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

UNLIMITED TAX ROAD BONDS

SERIES 2026

Dated: June 1, 2026

Interest Accrues From: Date of Delivery

Due: September 1, as shown on the inside cover

The \$9,250,000 Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Road Bonds, Series 2026 (the "Bonds") are obligations of Blaketree Municipal Utility District No. 1 of Montgomery County (the "District") and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); or any entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; or any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the initial date of delivery (on or about June 18, 2026) (the "Date of Delivery") and is payable on March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable to the person in whose name the Bonds are registered at the close of business on the 15<sup>th</sup> calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

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



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

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

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject to, among other things, the approval of the Attorney General of Texas and Coats Rose, P.C., Bond Counsel. Delivery of the Bonds in book-entry-only form through the facilities of DTC is expected on or about June 18, 2026.

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

**\$9,250,000**

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

**UNLIMITED TAX ROAD BONDS**

**SERIES 2026**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 09320C (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 09320C (b)
2027	\$210,000	6.000%	3.150%	HH3	2040 (c)	\$370,000	4.125%	4.200%	HW0
2028	215,000	6.000%	3.150%	HJ9	2041 (c)	385,000	4.125%	4.270%	HX8
2029	225,000	6.000%	3.150%	HK6	2042 (c)	400,000	4.250%	4.340%	HY6
2030	235,000	6.000%	3.250%	HL4	2043 (c)	420,000	4.250%	4.410%	HZ3
2031 (c)	250,000	6.000%	3.350%	HM2	2044 (c)	440,000	4.375%	4.480%	JA6
2032 (c)	260,000	6.000%	3.450%	HN0	2045 (c)	460,000	4.500%	4.550%	JB4
2033 (c)	270,000	6.000%	3.500%	HP5	2046 (c)	480,000	4.500%	4.620%	JC2
2034 (c)	285,000	6.000%	3.550%	HQ3	2047 (c)	500,000	4.500%	4.670%	JD0
2035 (c)	295,000	4.375%	3.750%	HR1	2048 (c)	525,000	4.625%	4.700%	JE8
2036 (c)	310,000	4.000%	3.850%	HS9	2049 (c)	545,000	4.625%	4.730%	JF5
2037 (c)	320,000	4.000%	3.950%	HT7	2050 (c)	570,000	4.625%	4.760%	JG3
2038 (c)	335,000	4.000%	4.050%	HU4	2051 (c)	595,000	3.500%	5.000%	JH1
2039 (c)	350,000	4.000%	4.150%	HV2					

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

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

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

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover page hereof, at a price of 97.014028% of the principal amount thereof, which resulted in a net effective interest rate of 4.606205%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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

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

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

### **Securities Laws**

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

## **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal

bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million, and \$215.7 million, respectively.

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

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

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

### *Additional Information Available from BAM*

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

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that

includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles/>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

### **RATINGS**

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

Moody's Ratings ("Moody's") has assigned an underlying credit rating of "Baa2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The rating expresses only the view of Moody's at the time the rating is given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, 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.

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

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**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

- The District..... Blaketree Municipal Utility District No. 1 of Montgomery County (the “District”), a political subdivision of the State of Texas (“Texas”), is located within Montgomery County, Texas (the “County”). See “THE DISTRICT.”
- The Bonds..... The District is issuing its \$9,250,000 Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Road Bonds, Series 2026 (the “Bonds”). The Bonds are dated June 1, 2026, and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. Interest on the Bonds will accrue from the initial date of delivery (on or about June 18, 2026) (the “Date of Delivery”) at the rates per annum set forth on the inside cover of this Official Statement and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
- Redemption Provisions ..... The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions”
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
- Source of Payment ..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of Texas; the County; or any other entity other than the District. See “THE BONDS – Source of Payment.”
- Payment Record..... The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness. See “THE BONDS – Source of Payment.”
- Outstanding Bonds ..... The District has previously issued five (5) series of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the “Utility System”) and two (2) series of unlimited tax bonds for the purpose of

acquiring or constructing a road system to serve the District (the "Road System"). At the Date of Delivery of the Bonds, \$44,730,000 in principal amount of such bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds" and "THE BONDS – Authority for Issuance."

Authority for Issuance.....	The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution; (ii) Chapter 8316, Texas Special District Local Laws Code, and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on November 8, 2016; and (iv) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District. See "THE BONDS – Authority for Issuance."
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to pay for or reimburse Bluejack (herein defined) for the improvements and related costs shown under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Not Qualified Tax-Exempt Obligations.....	The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
Municipal Bond Insurance .....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings .....	S&P Global Ratings (BAM Insured): "AA." Moody's Ratings (Underlying): "Baa2." See "RATINGS" above.
General & Bond Counsel.....	Coats Rose, P.C., Houston, Texas.
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Cedar Creek Municipal Advisors, LLC, Houston, Texas.
Engineer .....	Quiddity Engineering, LLC, Houston, Texas.
Paying Agent/Registrar.....	Zions Bancorporation, National Association, Houston, Texas.

**THE DISTRICT**

Description.....	The District was created by Senate Bill No. 1979, Acts of the 81 <sup>st</sup> Texas Legislature, Regular Session, codified as Chapter 8316, Texas Special District Local Laws Code. The District comprises approximately 952 total acres. See "THE DISTRICT."
Location.....	The District is located entirely within the County, approximately 55 miles northwest of the City of Houston, Texas. The District is south of Highway 105, north of Farm-to-Market ("FM") 1488, and west of South FM 1486. A portion of the District lies within Magnolia Independent School District and the balance lies within Montgomery Independent School District. The District is not located within the extraterritorial jurisdiction or corporate limits of any city. See "THE DISTRICT."
Bluejack National .....	The District contains the approximate 768-acre resort-style community and private club known as "Bluejack National." Residential development within Bluejack National is planned to

include approximately 424 residential lots consisting of Member Suites, Cottage Homes, Sunday Homes, Lake Villas, Retreats, Garden Homes, and custom estate lots. Currently, Bluejack National is a mixture of second homes and primary residences.

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

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

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

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

Retreats are freestanding single-family, two-bedroom condo units. The homes range in size from approximately 1,850 square feet to 2,200 square feet and are currently being marketed from the low \$1,000,000s to \$1.50 million.

Garden Homes are freestanding single-family, three to five-bedroom homes. The homes range in size from approximately 1,850 square feet to 3,800 square feet and are currently being marketed from the low \$2,500,000s to \$3.00 million.

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

Amenities currently serving Bluejack National include: an 18-hole championship-level golf course, a 10-hole short course, an outdoor/indoor entertainment center including resort-style pools, sports fields, a water slide, a water park with a splash pad, a canoeing lake, bowling lanes, dining areas, locker rooms, a media room, a state-of-the-art spa and wellness center featuring a movement studio, heated lap pool, cold plunge pool, jacuzzi, yoga lawn, fitness areas, personal training, private treatment rooms, salt saunas, steam room, locker rooms and lounges, grooming barber, nail salon, juice, coffee, and cocktail bar, four (4) tennis courts, a fishing dock, a bar and restaurant, a climate-controlled dining area, and event and meeting centers. Bluejack National's clubhouse features a full-service restaurant, bars/lounges, conference rooms, locker rooms, and will serve as the new home of the pro shop. See "DEVELOPMENT OF THE DISTRICT – Bluejack National."

Developers.....The primary developer of land within the District is The Bluejack Company, LLC, a Delaware limited liability company (“Bluejack”).

In addition to the land within Bluejack National, Montgomery Land Partners, LP, a Texas limited partnership (“MLP”), owns approximately 184.37 acres of land within the District, which MLP is actively self-developing. The community known as The Reserves is currently under construction. Such land is expected to consist of approximately 77 single-family homes on approximately 1.5-to-2.5-acre lots (totaling approximately 135 acres), approximately 17.86 acres dedicated to roads and approximately 31.49 acres for open space. See “DEVELOPERS.”

Bluejack and MLP are collectively referred to herein as the “Developers.”

Development within the District.....Development in the District began in 2016. To date, approximately 663.88 acres within the District have been developed as 247 residential lots (20 Sunday Homes, 10 Garden Homes, and 217 Estate Lots), 170 condo units (24 Member Suites, 84 Cottage Homes, 29 Lake Villas, and 33 Retreats) and a golf course in Bluejack National, Phase 1A and 1B.

As of April 10, 2026, development within the District consisted of 69 completed homes, 12 homes under construction, 150 completed condo units, 8 condo units under construction, and 178 vacant, developed lots (166 residential lots and 12 condo units). The remainder of land within the District includes approximately 78.92 undeveloped but developable acres, and approximately 34.73 undevelopable acres. Approximately 184 acres are currently under construction as the residential community known as The Reserves. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

### **INVESTMENT CONSIDERATIONS**

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

*[Remainder of Page Intentionally Left Blank]*

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2025 Assessed Valuation .....	\$ 416,682,983	(a)
2026 Preliminary Assessed Valuation .....	\$ 492,762,046	(b)
Direct Debt:		
The Outstanding Bonds (as of the Date of Delivery).....	\$ 44,730,000	
The Bonds .....	<u>\$ 9,250,000</u>	
Total.....	\$ 53,980,000	
Estimated Overlapping Debt .....	<u>\$ 40,041,882</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 94,021,882	(c)
Direct Debt Ratios:		
As a Percentage of the 2025 Assessed Valuation .....	12.95	%
As a Percentage of the 2026 Preliminary Assessed Valuation .....	10.95	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2025 Assessed Valuation .....	22.56	%
As a Percentage of the 2026 Preliminary Assessed Valuation .....	19.08	%
Utility Debt Service Fund Balance (as of April 10, 2026) .....	\$ 2,772,999	(d)
Road Debt Service Fund Balance (as of April 10, 2026) .....	\$ 1,200,500	(e)
Utility Capital Projects Fund Balance (as of April 10, 2026).....	\$ 860,234	
Operating Fund Balance (as of April 10, 2026) .....	\$ 3,063,808	
2025 Tax Rate:		
Utility Debt Service .....	\$ 0.485	
Road Debt Service .....	\$ 0.200	
Maintenance and Operations .....	<u>\$ 0.265</u>	
Total.....	\$ 0.950	

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- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Montgomery Central Appraisal District (the "Appraisal District). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary assessed valuation of all taxable property within the District as of January 1, 2026. No taxes will be levied on this value. This value is subject to protest by landowners. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility Debt Service Fund (herein defined). Any funds in the Utility Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Utility System (herein defined), and for the refunding of such bonds.
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Any funds in the Road Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Road System (herein defined) including the Bonds, and for the refunding of such bonds.

**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

Average Annual Debt Service Requirement (2026–2051) .....	\$	3,212,359	(a)
Maximum Annual Debt Service Requirement (2044).....	\$	3,776,100	(a)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the			
Average Annual Debt Service Requirement (2026–2051) at 95% Tax Collections:			
Based on the 2025 Assessed Valuation .....	\$	0.82	
Based on the 2026 Preliminary Assessed Valuation .....	\$	0.69	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the			
Maximum Annual Debt Service Requirement (2044) at 95% Tax Collections:			
Based on the 2025 Assessed Valuation .....	\$	0.96	
Based on the 2026 Preliminary Assessed Valuation .....	\$	0.81	

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(a) Represents the debt service requirements on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

**\$9,250,000**

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

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

**UNLIMITED TAX ROAD BONDS, SERIES 2026**

**INTRODUCTION**

This Official Statement of Blaketree Municipal Utility District No. 1 of Montgomery County (the "District") is provided to furnish information with respect to the issuance by the District of its \$9,250,000 Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8316, Texas Special District Local Laws Code, and the general laws of the State of Texas ("Texas"), including particularly Chapters 49 and 54 of the Texas Water Code; (iii) an election held within the District on November 8, 2016; and (iv) an order adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order").

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

**THE BONDS**

**General**

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

The Bonds are dated June 1, 2026. Interest on the Bonds will accrue from the initial date of delivery (on or about June 18, 2026) (the "Date of Delivery") and is payable on March 1, 2027, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**Book-Entry-Only System**

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

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

#### *Use of Certain Terms in Other Sections of this Official Statement*

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

#### **Successor Paying Agent/Registrar**

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

#### **Registration, Transfer and Exchange**

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

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

### **Record Date for Interest Payment**

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

### **Funds**

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

## **Redemption Provisions**

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

## **Mutilated, Lost, Stolen or Destroyed Bonds**

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

## **Outstanding Bonds**

The District has previously issued five (5) series of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System") and two (2) series of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). At the Date of Delivery of the Bonds, \$44,730,000 in principal amount of such bonds will remain outstanding (the "Outstanding Bonds").

## **Authority for Issuance**

The Bonds are the third series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Road System. At an election held within the District on November 8, 2016, voters of the District authorized the following: \$70,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; \$105,000,000 principal amount of unlimited tax bonds for refunding bonds issued for Road System purposes; \$168,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System; \$252,000,000 principal amount of unlimited tax bonds for refunding bonds issued for Utility System purposes; \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and \$28,500,000 principal amount of unlimited tax bonds for refunding bonds issued for the purpose of acquiring or constructing parks and recreational facilities to serve the District.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8316, Texas Special District Local Laws Code, and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on November 8, 2016; and (iv) the Bond Order.

## **Source of Payment**

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

The Bonds are obligations solely of the District and are not the obligations of Texas; the County; or any entity other than the District.

## **Issuance of Additional Debt**

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

Following the issuance of the Bonds, \$46,330,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; \$105,000,000 principal amount of unlimited tax refunding bonds for Road System purposes; \$134,550,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System; \$252,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes; \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities; and \$28,500,000 principal amount of unlimited tax refunding bonds for the purpose of acquiring or constructing parks and recreational facilities will remain authorized but unissued. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order.

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

Following the reimbursement to Bluejack (defined herein) with the proceeds of the Bonds, the District will owe the Developers approximately \$60,297 for its expenditures to construct the Utility System, \$1,776,096 for its expenditures to construct the Road System and approximately \$1,319,000 for its expenditures to construct parks and recreational facilities pursuant to a reimbursement agreement between the District and the Developers. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. The District has no current plans to submit an application for approval of a fire protection plan.

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

## **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of

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

### **Defeasance**

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

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

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

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

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

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

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

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

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited 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, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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. Under Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decided in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District. A district cannot be placed into bankruptcy involuntarily.

### **Registered Owners' Remedies**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights and creditors of political subdivisions, such as the District.

## Use and Distribution of Bond Proceeds

The proceeds of the sale of the Bonds will be used to pay for or reimburse Bluejack for the construction costs set out below. In addition, the proceeds of the sale of the Bonds will be used to pay developer interest and other non-construction costs set out below, including costs associated with the issuance of the Bonds.

<b><u>Construction Costs</u></b>	<u>District's Share</u>
<b>A. <u>District Items</u></b>	
1. Road Land Costs	\$ 1,770,954
2. Public Road Extension from FM 1486	4,635,000
3. Construction Entrance Left and Right Turn Lane	333,091
4. 2026 Asphalt Pavement Improvements	241,000
5. Contingencies	521,000
6. Engineering	978,889
<b>TOTAL CONSTRUCTION COSTS (72.59% of BIR)</b>	<b><u>\$8,479,934</u></b>
<b><u>Non-Construction Costs</u></b>	
A. Legal Fees	210,000
B. Fiscal Agent Fees	180,625
C. Developer Interest	1,149
D. Bond Discount	276,202
E. Bond Issuance Expenses	61,542
F. Bond Report Costs	30,000
G. Attorney General Fee (0.10% or \$9,500 max.)	9,250
H. Contingency (a)	1,298
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$ 770,066</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$9,250,000</b>

(a) Represents the difference between the estimated and actual amount of bond discount.

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

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## THE DISTRICT

### Authority

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

### Description

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

### Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Tammy Pizzitola	President	2028
Jimmy Thornton	Vice President	2028
Lorie Varnas	Secretary	2030
Patrick Aucoin	Assistant Secretary	2030
Scott Alan Shelburne	Assistant Secretary	2030

### Investment Policy

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

### Consultants

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

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

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

*Auditor:* The financial statements of the District as of March 31, 2025, and for the year then ended, included in this Official Statement as “APPENDIX A – Independent Auditor’s Report and Financial Statements of the District,” have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, as stated in their report appearing herein.

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

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

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

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

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

## **DEVELOPMENT OF THE DISTRICT**

### **Bluejack National**

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

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

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

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

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

Retreats are freestanding single-family, two-bedroom homes. The homes range in size from approximately 1,850 square feet to 2,200 square feet and are currently being marketed from the low \$1,000,000s to \$1.50 million.

Garden Homes are freestanding single-family, three to five-bedroom homes. The homes range in size from approximately 2,500 square feet to 3,800 square feet and are currently being marketed from the low \$2,500,000s to \$3.00 million.

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

In addition, Bluejack National includes the following amenities:

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

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

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

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

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

The Porch – Bluejack National’s clubhouse features a full-service restaurant, bars/lounges, conference rooms, locker rooms, and will be the new home of the pro shop.

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

### **The Reserves**

In addition to the land within Bluejack National, Montgomery Land Partners, LP, a Texas limited partnership (“MLP”), owns approximately 184.37 acres of land within the District, which MLP is actively self-developing. The development is currently under construction and is expected to be completed in Q4 before year end. Such land is expected to consist of approximately 77 single-family homes on approximately 1.5-to-2.5-acre lots (totaling approximately 135 acres), approximately 17.86 acres dedicated to roads and approximately 31.49 acres for open space.

*[Remainder of Page Intentionally Left Blank]*

### Status of Development within the District

Development in the District began in 2016. To date, approximately 663.88 acres within the District have been developed or are currently being developed as 247 residential lots (20 Sunday Homes, 10 Garden Homes, and 217 Estate Lots), 170 condo units (24 Member Suites, 84 Cottage Homes, 29 Lake Villas, and 33 Retreats) and a golf course in Bluejack National, Phase 1A and 1B.

As of April 10, 2026, development within the District consisted of 69 completed homes, 12 homes under construction, 150 completed condo units, 8 condo units under construction, and 178 vacant, developed lots (166 residential lots and 12 condo units). The remainder of land within the District includes approximately 78.92 undeveloped but developable acres, and approximately 34.73 undevelopable acres. Approximately 184 acres are currently under construction as the residential community known as The Reserves

The table below summarizes the status of development and land use within the District as of April 10, 2026.

<u>Bluejack National</u>	<u>Total Lots/Units</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Residential Lots				
Sunday Homes	20	15	2	3
Garden Homes	10		2	8
Estate Lots	217	54	8	155
Subtotal	247	69	12	166
Condo Units				
Member Suites	24	24		
Cottages	84	78	1	5
Lake Villas	29	24	3	2
Retreats	33	24	4	5
Subtotal	170	150	8	12
Total	417	219	20	178
<u>District Acreage</u>	<u>Acres</u>			
Developed Acres	653.88			
Under Development Acres	184.37			
Undevelopable Acres	34.73			
Undeveloped but Developable Acres	78.92			
Total	951.91			

PHOTOGRAPHS TAKEN IN THE DISTRICT  
(April 2026)



## **DEVELOPERS**

### **Role of the Developers**

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

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

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

### **The Developers**

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

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

In addition to the land within Bluejack National, MLP owns approximately 184.37 acres of land within the District, which MLP is actively self-developing. The development is currently undergoing construction. Such land is anticipated to consist of approximately 77 single-family homes on approximately 1.5-to-2.5-acre lots.

Bluejack and MLP are collectively referred to herein as the "Developers."

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

### **Development Financing**

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

## **THE UTILITY SYSTEM**

### **Regulation**

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

### **Water Supply**

The District’s source of water is a water plant that consists of one (1) 600 gallon per minute (“gpm”) well, one 175 gpm well, two (2) 200,000 gallon ground storage tanks, two (2) 10,000 gallon hydro-pneumatic tanks, and three (3) 600 gpm booster pumps. The District’s water plant is currently capable of serving 1,000 ESFC’s.

### **Wastewater Treatment**

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

### **Storm Water Drainage**

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

### **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the “100-year flood plain”, is depicted on these maps. The 100-year flood plain as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 15 acres within the District lie within the 100-year floodplain; although none of the developed lots lie within the 100-year floodplain.

## **Lone Star Groundwater Conservation District**

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

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

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

## General Fund Operating Statement

The following is a summary of the District's general fund activity for the fiscal years ended March 31, 2022, through March 31, 2025. Such summary has been prepared by the Financial Advisor for inclusion herein based on information obtained from the District's audited financial statements and from information obtained from the District's bookkeeper for fiscal year ended March 31, 2026, reference to which is made for further and more complete information. See "APPENDIX A - Independent Auditor's Report and Financial Statements of the District."

	Fiscal Year Ended March 31				
	2026 (a)	2025	2024	2023	2022
<b>REVENUES</b>					
Property Taxes	\$ 1,233,630	\$ 1,421,196	\$ 1,060,509	\$ 986,733	\$ 980,160
Water Service	130,365	110,743	114,558	83,722	57,431
Wastewater Service	203,259	179,215	156,210	131,422	83,816
Water Authority Fees	104,480	94,982	87,812	64,535	40,061
Connection & Inspection Fees	150,348	225,920	132,535	179,732	142,588
Investment & Miscellaneous Revenues	64,502	100,381	68,951	30,086	9,674
Total Revenues	\$ 1,886,585	\$ 2,132,437	\$ 1,620,575	\$ 1,476,230	\$ 1,313,730
<b>EXPENDITURES</b>					
Professional Fees	\$ 254,275	\$ 273,626	\$ 261,178	\$ 283,392	\$ 174,854
Contracted Services	217,973	106,308	91,748	79,102	74,456
Water Authority Assessments	93,253	90,025	85,098	65,876	43,016
Repairs and Maintenance	358,644	313,976	287,180	141,744	160,674
Lease Payments		35,000	210,000	210,000	210,000
Other	165,973	306,211	211,727	346,705	274,857
Capital Outlay	314,962	635,867 (b)	173,989	310,737	541,508
Total Expenditures	\$ 1,405,080	\$ 1,761,013	\$ 1,320,920	\$ 1,437,556	\$ 1,479,365
Excess (Deficiency) of Revenues Over Expenditures	\$ 481,505	\$ 371,424	\$ 299,655	\$ 38,674	\$ (165,635)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In (Out)	\$ 394,450	\$ 20,026	\$ -	\$ -	\$ (17,500)
Net Change in Fund Balance	\$ 481,505	\$ 394,450	\$ 299,655	\$ 38,674	\$ (183,135)

(a) Unaudited figures.

(b) This figure mainly consists of roadway shoulder expansion, tree planting, asphalt pavement construction, and lily bean erosion desilt pond.

## THE ROAD SYSTEM

The roads within the District vary in width in accordance with standards adopted by Montgomery County but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within Bluejack National and surrounding areas. The major thoroughfares and collectors serving the District include Bluejack National Boulevard and Lily Bean Road. The District will finance, design and construct the Road System in phases as development progresses.

The District is responsible for ownership and ongoing maintenance of certain roads located within the boundaries of the District. Such roads are open and accessible to all property owners and residents of the District and their invitees, as well as firefighters, firefighting equipment, police and other emergency vehicles of whatever nature at all times. The Road System also includes roads that will ultimately be owned and maintained by the County, including particularly the public road extension from FM 1486.

**DISTRICT DEBT**

**General**

2025 Assessed Valuation .....	\$ 416,682,983	(a)
2026 Preliminary Assessed Valuation .....	\$ 492,762,046	(b)
Direct Debt:		
The Outstanding Bonds (as of the Date of Delivery).....	\$ 44,730,000	
The Bonds .....	<u>\$ 9,250,000</u>	
Total.....	\$ 53,980,000	
Estimated Overlapping Debt .....	<u>\$ 40,041,882</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 94,021,882	(c)
Direct Debt Ratios:		
As a Percentage of the 2025 Assessed Valuation .....	12.95	%
As a Percentage of the 2026 Preliminary Assessed Valuation .....	10.95	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2025 Assessed Valuation .....	22.56	%
As a Percentage of the 2026 Preliminary Assessed Valuation .....	19.08	%
Utility Debt Service Fund Balance (as of April 10, 2026) .....	\$ 2,772,999	(d)
Road Debt Service Fund Balance (as of April 10, 2026) .....	\$ 1,200,500	(e)
Utility Capital Projects Fund Balance (as of April 10, 2026).....	\$ 860,234	
Operating Fund Balance (as of April 10, 2026) .....	\$ 3,063,808	
2025 Tax Rate:		
Utility Debt Service .....	\$ 0.485	
Road Debt Service .....	\$ 0.200	
Maintenance and Operations .....	<u>\$ 0.265</u>	
Total.....	\$ 0.950	

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- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Montgomery Central Appraisal District (the "Appraisal District). See "TAX DATA" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District as the preliminary assessed valuation of all taxable property within the District as of January 1, 2026. No taxes will be levied on this value. This value is subject to protest by landowners. See "TAXING PROCEDURES."
  - (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
  - (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility Debt Service Fund. Any funds in the Utility Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Utility System, and for the refunding of such bonds.
  - (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund. Any funds in the Road Debt Service Fund are pledged only to pay the debt service on District bonds issued for the Road System including the Bonds, and for the refunding of such bonds.

Average Annual Debt Service Requirement (2026–2051) .....	\$	3,212,359	(a)
Maximum Annual Debt Service Requirement (2044).....	\$	3,776,100	(a)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the			
Average Annual Debt Service Requirement (2026–2051) at 95% Tax Collections:			
Based on the 2025 Assessed Valuation .....	\$	0.82	
Based on the 2026 Preliminary Assessed Valuation .....	\$	0.69	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the			
Maximum Annual Debt Service Requirement (2044) at 95% Tax Collections:			
Based on the 2025 Assessed Valuation .....	\$	0.96	
Based on the 2026 Preliminary Assessed Valuation .....	\$	0.81	

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(a) Represents the debt service requirements on the Outstanding Bonds and the Bonds. See “DISTRICT DEBT – Debt Service Requirement Schedule.”

### Debt Service Requirement Schedule

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

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$ 1,856,851	\$ -	\$ 87,037	\$ 87,037	\$ 1,943,888
2027	3,048,611	210,000	429,225	639,225	3,687,836
2028	3,052,446	215,000	416,625	631,625	3,684,071
2029	3,048,346	225,000	403,725	628,725	3,677,071
2030	3,041,656	235,000	390,225	625,225	3,666,881
2031	3,040,189	250,000	376,125	626,125	3,666,314
2032	3,040,948	260,000	361,125	621,125	3,662,073
2033	3,051,668	270,000	345,525	615,525	3,667,193
2034	3,054,068	285,000	329,325	614,325	3,668,393
2035	3,066,943	295,000	312,225	607,225	3,674,168
2036	3,070,283	310,000	299,319	609,319	3,679,601
2037	3,090,371	320,000	286,919	606,919	3,697,290
2038	3,106,308	335,000	274,119	609,119	3,715,426
2039	3,113,419	350,000	260,719	610,719	3,724,138
2040	3,115,193	370,000	246,719	616,719	3,731,911
2041	3,123,288	385,000	231,456	616,456	3,739,744
2042	3,136,813	400,000	215,575	615,575	3,752,388
2043	3,146,113	420,000	198,575	618,575	3,764,688
2044	3,155,375	440,000	180,725	620,725	3,776,100
2045	2,515,175	460,000	161,475	621,475	3,136,650
2046	2,394,750	480,000	140,775	620,775	3,015,525
2047	2,204,950	500,000	119,175	619,175	2,824,125
2048	1,587,275	525,000	96,675	621,675	2,208,950
2049	950,325	545,000	72,394	617,394	1,567,719
2050	956,175	570,000	47,188	617,188	1,573,363
2051	-	595,000	20,825	615,825	615,825
<b>Total</b>	<b>\$67,967,534</b>	<b>\$ 9,250,000</b>	<b>\$ 6,303,794</b>	<b>\$ 15,553,794</b>	<b>\$83,521,328</b>
Average Annual Debt Service Requirement (2026–2051) .....					\$ 3,212,359
Maximum Annual Debt Service Requirement (2044) .....					\$ 3,776,100

*[Remainder of Page Intentionally Left Blank]*

**Direct and Estimated Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt February 28, 2026	Overlapping	
		Percent	Amount
Montgomery County	\$ 505,915,000	0.38%	\$ 1,930,002
Magnolia Independent School District	276,660,000	3.25%	8,993,967
Montgomery Independent School District	564,635,000	5.08%	28,704,740
Lone Star College System	342,055,000	0.12%	413,173
Total Estimated Overlapping Debt			\$ 40,041,882
Direct Debt (a)			\$ 53,980,000
Total Direct & Estimated Overlapping (a)			\$ 94,021,882

(a) Includes the Outstanding Bonds and the Bonds.

**Debt Ratios**

Ratio of Direct Debt (a):

As a Percentage of the 2025 Assessed Valuation .....	12.95 %
As a Percentage of the 2026 Preliminary Assessed Valuation .....	10.95 %

Ratio of Direct and Estimated Overlapping Debt (a):

As a Percentage of the 2025 Assessed Valuation .....	22.56 %
As a Percentage of the 2026 Preliminary Assessed Valuation .....	19.08 %

(a) Includes the Outstanding Bonds and the Bonds.

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

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

The Texas Property Tax Code (the "Property Code"), specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Montgomery Central Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

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

## **Property Subject to Taxation by the District**

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

tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

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

## **Tax Abatement**

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

## **Valuation of Property for Taxation**

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

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of Texas (the "Governor"). This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax

Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2025 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove took effect January 1, 2024.

### **Agricultural, Open Space, Timberland and Inventory Deferment**

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

### **District and Taxpayer Remedies**

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

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

### **Notice and Hearing Procedures**

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

### **Rollback of Operation and Maintenance Tax Rate**

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

#### *Special Taxing Units*

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

#### *Developed Districts*

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

#### *Developing Districts*

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

*The District*

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2025 tax year, the District was classified as a “Developing District” by the Board of Directors. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

**District’s Rights in the Event of Tax Delinquencies**

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

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

**TAX DATA**

**General**

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See “TAXING PROCEDURES.” In the Bond Order, the Board covenants to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See “THE BONDS” and “INVESTMENT CONSIDERATIONS.” For the 2025 tax year, the District levied a total tax rate of \$0.950 per \$100 of assessed valuation comprised of a utility debt service tax rate of \$0.485 per \$100 of assessed valuation, a road debt service tax rate of \$0.200 per \$100 of assessed valuation, and a maintenance and operations tax rate of \$0.265 per \$100 of assessed valuation.

**Tax Rate Limitation**

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

**Debt Service Taxes**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2025 tax year, the District levied a utility debt service tax rate of \$0.485 per \$100 of assessed valuation and a road debt service tax rate of \$0.200 per \$100 of assessed valuation. Such tax is in addition to taxes that the District is authorized to levy for maintenance and operation purposes. See “TAX DATA – Tax Rate Distribution.”

**Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. At an election held within the District on November 8, 2016, a road maintenance tax rate was approved by voters not to exceed \$1.50 per \$100 of assessed valuation. At an election held within the District on November 8, 2016, a parks and recreation maintenance tax rate was approved by voters not to exceed \$0.10 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any parity bonds which may be issued in the future. For the 2025 tax year, the District levied a maintenance and operations tax rate of \$0.265 per \$100 of assessed valuation. Such tax is in addition to taxes that the District is authorized to levy for debt service purposes. See “TAX DATA – Tax Rate Distribution.”

**Tax Exemption**

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

**Historical Tax Collections**

The following table illustrates the collection history of the District for the 2021–2025 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Collections	
					Ending 09/30	03/20/2026
2021	\$157,265,215	\$ 1.250	\$1,693,695	99.15%	2022	100.00%
2022	217,219,222	1.200	2,606,631	96.21%	2023	99.83%
2023	296,052,622	1.100	3,256,579	97.49%	2024	98.51%
2024	374,088,143	1.000	3,740,881	97.02%	2025	99.88%
2025	416,682,983	0.950	3,958,488	92.85%	2026	92.85%

**Tax Rate Distribution**

The following table sets out the components of the District’s tax levy for each of the 2021–2025 tax years.

	2025	2024	2023	2022	2021
Utility Debt Service	\$ 0.485	\$ 0.575	\$ 0.720	\$ 0.730	\$ 0.610
Road Debt Service	0.200	0.015	0.020	0.025	-
Maintenance & Operations	<u>0.265</u>	<u>0.410</u>	<u>0.360</u>	<u>0.445</u>	<u>0.640</u>
Total	\$ 0.950	\$ 1.000	\$ 1.100	\$ 1.200	\$ 1.250

**Analysis of Tax Base**

The following represents the types of property comprising the District assessed taxable value as of January 1 for each of the 2021–2025 tax years.

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation
Land	\$ 115,819,043	\$ 112,187,664	\$ 110,313,790	\$ 72,186,310	\$ 52,504,220
Improvements	311,332,041	274,762,311	189,958,035	151,456,304	103,653,520
Personal Property	4,936,605	1,047,991	2,575,390	1,130,005	2,276,217
Exemptions	<u>(15,404,706)</u>	<u>(13,909,823)</u>	<u>(6,794,593)</u>	<u>(7,553,397)</u>	<u>(1,168,742)</u>
Total	\$ 416,682,983	\$ 374,088,143	\$ 296,052,622	\$ 217,219,222	\$ 157,265,215

**Principal Taxpayers**

The following represents the principal taxpayers, type of property, and assessed values as of January 1, 2025:

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Assessed Valuation
The Bluejack Company (a)	Land & Improvements	\$ 18,723,224	4.49%
Bluejack National Club Holdings LLC (a)	Land & Improvements	14,501,439	3.48%
Homeowner	Land & Improvements	6,000,000	1.44%
RDJP Family LP	Land & Improvements	5,629,378	1.35%
Mendoza Home Builders (b)	Land & Improvements	5,605,888	1.35%
Homeowner	Land & Improvements	4,750,670	1.14%
Homeowner	Land & Improvements	3,948,351	0.95%
4499 Lily Bean LLC	Land & Improvements	3,852,679	0.92%
Bluejack Real Estate Co LLC (a)	Land & Improvements	3,772,287	0.91%
Homeowner	Land & Improvements	3,741,921	0.90%
<b>Total</b>		<b>\$ 70,525,837</b>	<b>16.93%</b>

(a) See "DEVELOPERS."

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

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2025 Assessed Valuation (\$416,682,983), and the 2026 Preliminary Assessed Valuation (\$492,762,046). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2026-2051).....	\$ 3,212,359
Tax Rate of \$0.82 on the 2025 Assessed Valuation produces .....	\$ 3,245,960
Tax Rate of \$0.69 on the 2026 Preliminary Assessed Valuation, produces .....	\$ 3,230,055
Maximum Annual Debt Service Requirement (2044).....	\$ 3,776,100
Tax Rate of \$0.96 on the 2025 Assessed Valuation produces .....	\$ 3,800,149
Tax Rate of \$0.81 on the 2026 Preliminary Assessed Valuation, produces .....	\$ 3,791,804

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## Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2025 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate</u>
Montgomery County	\$0.394100
Montgomery County Hospital District	0.051800
Montgomery County Emergency Service District No. 2	0.105700
Lone Star College System District	0.106000
Magnolia Independent School District (a)	0.977900
The District	<u>0.950000</u>
Total	\$2.585500

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- (a) A portion of the District is within the boundaries of Montgomery Independent School District, which levied a 2025 tax rate of \$1.092900 per \$100 of assessed valuation. For the acreage within Montgomery Independent School District, the total 2025 tax rate is \$2.700500 per \$100 of assessed valuation.

## INVESTMENT CONSIDERATIONS

### General

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

### Factors Affecting Taxable Values and Tax Payments

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

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

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

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

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

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

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2025, the District's principal taxpayers owned property located within the District the aggregate assessed taxable valuation of which comprised approximately 16.93% of the District's total assessed valuation. Bluejack, the District's top taxpayer, and related entities own approximately 8.88% of the District's assessed taxable valuation as of January 1, 2025. See "DEVELOPERS."

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

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed taxable valuation as of January 1, 2025, of all taxable property located within the District is \$416,682,983 and the 2026 preliminary assessed valuation as of January 1, 2026, of all taxable property located within the District is \$492,762,046. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2044) will be \$3,776,100 and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2026–2051) will be \$3,212,359. Assuming no decrease to the District's assessed taxable valuation as of January 1, 2025, of all taxable property located within the District, tax rates of \$0.96 and \$0.82 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no decrease from the District's 2026 preliminary assessed valuation as of January 1, 2026, of all taxable property located within the District, tax rates of \$0.81 and \$0.69 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively.

The District can make no representation that the taxable values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2025 tax year, the District levied a total tax rate of \$0.950 per \$100 of assessed valuation comprised of a utility debt service tax rate of \$0.485 per \$100 of assessed valuation, a road debt service tax rate of \$0.200 per \$100 of assessed valuation, and a maintenance and operations tax rate of \$0.265 per \$100 of assessed valuation.

### **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.

### **Competitive Nature of Residential Housing Market**

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

### **Risks Associated with Second Home Market**

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

### **Tax Collection and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

## **Registered Owners' Remedies and Bankruptcy**

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

## **Marketability**

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

## **Future Debt**

The Bonds are the third series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Road System. At an election held within the District on November 8, 2016, voters of the District authorized the following: \$70,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; \$105,000,000 principal amount of unlimited tax bonds for refunding bonds issued for Road System purposes; \$168,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System; \$252,000,000 principal amount of unlimited tax bonds for refunding bonds issued for Utility System purposes; \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and \$28,500,000 principal amount of unlimited tax bonds for refunding bonds issued for the purpose of acquiring or constructing parks and recreational facilities to serve the District.

Following the issuance of the Bonds, \$46,330,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; \$105,000,000 principal amount of unlimited tax refunding bonds for Road System purposes; \$134,550,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System; \$252,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes; \$19,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities; and \$28,500,000 principal amount of unlimited tax refunding bonds for the purpose of acquiring or constructing parks and recreational facilities will remain authorized but unissued. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

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

Following the reimbursement to Bluejack (defined herein) with the proceeds of the Bonds, the District will owe the Developers approximately \$60,297 for its expenditures to construct the Utility System, \$1,776,096 for its expenditures to construct the Road System and approximately \$1,319,000 for its expenditures to construct parks and recreational facilities pursuant to a reimbursement agreement between the District and the Developers. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

### **Continuing Compliance with Certain Covenants**

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

### **Environmental Regulations**

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

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

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. 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.

### **Potential Impact of Natural Disaster**

The District is located approximately 60 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District are adversely affected.

### **National Weather Service Atlas 14 Rainfall Study**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

### **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

***Riverine (or Fluvial) Flood.*** Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou, or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for

instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee, or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

### **Potential Effects of Oil Price Fluctuations on the Houston Area**

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

### **Approval of the Bonds**

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

### **Changes in Tax Legislation**

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

### **Cybersecurity**

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches may be limited.

### **Bond Insurance Risk Factors**

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

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

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

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

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

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

### **No-Litigation Certificate**

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

## **No Material Adverse Change**

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

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended, (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount Bonds**

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

periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

### **Collateral Federal Income Tax Consequences**

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to

“market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

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

### **Not Qualified Tax-Exempt Obligations**

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the subsection titled “Direct and Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A – Independent Auditor’s Report and Financial Statements of the District.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026.

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

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

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13)

consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

#### **Availability of Information from EMMA**

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

#### **Limitations and Amendments**

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

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

## **Compliance with Prior Undertaking**

During the past five years, the District has complied in all material respects with its prior continuing disclosure agreements pursuant to the Rule.

## **OFFICIAL STATEMENT**

### **General**

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

The District's audited financial statements for the year ended March 31, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, and have been included herein as "APPENDIX A – Independent Auditor's Report and Financial Statements of the District." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement.

### **Experts**

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

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

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official

Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

**CONCLUDING STATEMENT**

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

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

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

ATTEST:

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

**APPENDIX A**

**Independent Auditor's Report and Financial Statements of the District**

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

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2025**

**McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC**  
Certified Public Accountants

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# *McCall Gibson Swedlund Barfoot Ellis PLLC*

*Certified Public Accountants*

*Chris Swedlund  
Noel W. Barfoot  
Joseph Ellis  
Ashlee Martin*

*Mike M. McCall  
(retired)  
Debbie Gibson  
(retired)*

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Blaketree Municipal Utility District No. 1 of Montgomery County (the "District") as of and for the year ended March 31, 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 the District as of March 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

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

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

### **Supplementary Information**

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

*McCall Gibson Swedlund Barfoot Ellis PLLC*

McCall Gibson Swedlund Barfoot Ellis PLLC  
Certified Public Accountants  
Houston, Texas

July 11, 2025

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

Management’s discussion and analysis of the financial performance of Blaketree Municipal Utility District No. 1 of Montgomery County (the “District”) provides an overview of the District’s financial activities for the year ended March 31, 2025. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. The Statement of Net Position includes all of the District’s assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors. The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$4,294,757 as of March 31, 2025. A portion of the District’s net position reflects its net investment in capital assets which include land, roads and the water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following is a comparative analysis of government-wide changes in net position.

	<u>Summary of Changes in the Statement of Net Position</u>		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 9,992,936	\$ 13,197,862	\$ (3,204,926)
Right-of-Use Asset (Net of Amortization)		361,460	(361,460)
Capital Assets (Net of Depreciation)	<u>27,664,614</u>	<u>22,617,955</u>	<u>5,046,659</u>
Total Assets	<u>\$ 37,657,550</u>	<u>\$ 36,177,277</u>	<u>\$ 1,480,273</u>
Due to Developer	\$	\$ 45,724	\$ 45,724
Lease Payable		730,656	730,656
Bonds Payable	32,210,665	32,903,608	692,943
Other Liabilities	<u>1,152,128</u>	<u>622,412</u>	<u>(529,716)</u>
Total Liabilities	<u>\$ 33,362,793</u>	<u>\$ 34,302,400</u>	<u>\$ 939,607</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,619,272)	\$ (3,023,699)	\$ 1,404,427
Restricted	3,127,075	2,623,649	503,426
Unrestricted	<u>2,786,954</u>	<u>2,274,927</u>	<u>512,027</u>
Total Net Position	<u>\$ 4,294,757</u>	<u>\$ 1,874,877</u>	<u>\$ 2,419,880</u>

The District's operations for the years ended March 31, 2025, and 2024, are summarized below:

	<u>Summary of Changes in the Statement of Activities</u>		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,754,699	\$ 3,209,479	\$ 545,220
Charges for Services	756,972	554,439	202,533
Other Revenues	<u>890,288</u>	<u>180,444</u>	<u>709,844</u>
Total Revenues	<u>\$ 5,401,959</u>	<u>\$ 3,944,362</u>	<u>\$ 1,457,597</u>
Expenses for Services	<u>2,982,079</u>	<u>3,912,016</u>	<u>929,937</u>
Change in Net Position	\$ 2,419,880	\$ 32,346	\$ 2,387,534
Net Position, Beginning of Year	<u>1,874,877</u>	<u>1,842,531</u>	<u>32,346</u>
Net Position, End of Year	<u>\$ 4,294,757</u>	<u>\$ 1,874,877</u>	<u>\$ 2,419,880</u>

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

The District’s combined fund balances as of March 31, 2025, were \$8,312,009, a decrease of \$4,069,538 from the prior year.

The General Fund fund balance increased by \$394,450 from prior year primarily due to property tax revenues and service revenues exceeding operating, administrative costs, and capital outlay.

The Debt Service Fund fund balance increased by \$286,107 from the prior year primarily due to the structure of the District’s long-term debt.

The Capital Projects Fund fund balance decreased by \$4,750,095 from the prior year primarily due to capital outlay paid from bond proceeds received in the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted a budget for the current fiscal year. Actual revenues were \$499,537 more than budgeted revenues, actual expenditures were \$712,594 more than budgeted expenditures and an unbudgeted transfer was received in the amount of \$23,026. The net result was a negative variance of \$190,031. See the budget to actual comparison for more information.

**CAPITAL ASSETS**

Capital assets as of March 31, 2025, total \$27,664,614 (net of accumulated depreciation) and include land, roads and the water, wastewater and drainage systems. Construction in progress includes construction and engineering costs for the Bluejack National Phase 1A drainage improvements, asphalt pavement improvements, Lily Bean erosion, Water Plant No. 1 expansion, and the Lift Station D.

Capital Assets At Year-End			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 853,799	\$ 853,799	\$
Construction in Progress	3,938,613	1,688,223	2,250,390
Capital Assets Subject to Depreciation:			
Water System	8,595,149	6,177,701	2,417,448
Wastewater System	7,519,613	6,883,057	636,556
Drainage System	4,693,287	4,621,142	72,145
Roads	5,785,666	5,578,078	207,588
Less Accumulated Depreciation	(3,721,513)	(3,184,045)	(537,468)
Total Net Capital Assets	\$ 27,664,614	\$ 22,617,955	\$ 5,046,659

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**RIGHT-TO-USE ASSETS**

The District’s lease agreement with AUC included wastewater treatment facilities which were recorded as right-to-use assets in the government-wide financial statements in accordance with GASB Statement No. 87. The lease purchase option was exercised during the current fiscal year. See Note 12 for further disclosure.

**LONG-TERM DEBT ACTIVITY**

As of March 31, 2025, the District had total bond debt payable of \$32,140,000. The changes in bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, April 1, 2024	\$ 32,830,000
Less: Bond Principal Paid	<u>(690,000)</u>
Bond Debt Payable, March 31, 2025	<u>\$ 32,140,000</u>

The District’s Series 2019 Bonds, Series 2020 Bonds, Series 2021 Bonds and Series 2021 Road Bonds do not carry underlying nor insured ratings. The Series 2023 Bonds and Series 2024 bonds carry insured ratings of “AA” from Standard and Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company and the Series 2024 Bonds carry an underlying rating of “Baa3”. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**CONTACTING THE DISTRICT’S MANAGEMENT**

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
MARCH 31, 2025**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 476,823	\$ 2,223,043
Investments	2,394,559	650,000
Receivables:		
Property Taxes	216,594	329,894
Penalty and Interest on Delinquent Taxes		
Service Accounts	21,844	
Accrued Interest	3,540	2,944
Due from Other Funds	60,533	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 3,173,893</b>	<b>\$ 3,205,881</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 20,513	\$ 2,720,379	\$	\$ 2,720,379
3,573,000	6,617,559		6,617,559
	546,488		546,488
		80,182	80,182
	21,844		21,844
	6,484		6,484
	60,533	(60,533)	
		853,799	853,799
		3,938,613	3,938,613
		22,872,202	22,872,202
<u>\$ 3,593,513</u>	<u>\$ 9,973,287</u>	<u>\$ 27,684,263</u>	<u>\$ 37,657,550</u>

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
MARCH 31, 2025**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 354,839	\$ 584
Accrued Interest Payable		
Due to Other Funds		60,533
Security Deposits	32,100	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 386,939	\$ 61,117
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 216,594	\$ 329,894
<b>FUND BALANCES</b>		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		2,814,870
Unassigned	2,570,360	
<b>TOTAL FUND BALANCES</b>	\$ 2,570,360	\$ 2,814,870
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 3,173,893	\$ 3,205,881
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 666,734	\$ 1,022,157	\$	\$ 1,022,157
		97,871	97,871
	60,533	(60,533)	
	32,100		32,100
		940,000	940,000
		<u>31,270,665</u>	<u>31,270,665</u>
<u>\$ 666,734</u>	<u>\$ 1,114,790</u>	<u>\$ 32,248,003</u>	<u>\$ 33,362,793</u>
<u>\$ -0-</u>	<u>\$ 546,488</u>	<u>\$ (546,488)</u>	<u>\$ -0-</u>
\$ 2,926,779	\$ 2,926,779	\$ (2,926,779)	\$
	2,814,870	(2,814,870)	
	<u>2,570,360</u>	<u>(2,570,360)</u>	
<u>\$ 2,926,779</u>	<u>\$ 8,312,009</u>	<u>\$ (8,312,009)</u>	<u>\$ -0-</u>
<u>\$ 3,593,513</u>	<u>\$ 9,973,287</u>		
		\$ (1,619,272)	\$ (1,619,272)
		3,127,075	3,127,075
		<u>2,786,954</u>	<u>2,786,954</u>
		<u>\$ 4,294,757</u>	<u>\$ 4,294,757</u>

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MARCH 31, 2025**

Total Fund Balances - Governmental Funds	\$	8,312,009
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		27,664,614
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		626,670
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Accrued Interest Payable	\$ (97,871)	
Bonds Payable	<u>(32,210,665)</u>	<u>(32,308,536)</u>
Total Net Position - Governmental Activities	\$	<u>4,294,757</u>

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2025**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,421,196	\$ 2,076,503
Water Service	110,743	
Wastewater Service	179,215	
Water Authority Fees	94,982	
Penalty and Interest	1,458	64,472
Connection and Inspection Fees	225,920	
Gain Recognized on Purchase of Leased Plant		
Investment and Miscellaneous Revenues	98,923	80,429
<b>TOTAL REVENUES</b>	<b>\$ 2,132,437</b>	<b>\$ 2,221,404</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 273,626	\$ 28,108
Contracted Services	106,308	39,902
Water Authority Assessments	90,025	
Repairs and Maintenance	313,976	
Depreciation		
Amortization		
Other	306,211	16,551
Capital Outlay	635,867	
Developer Interest		
Debt Service:		
Lease Principal	32,272	
Lease Interest	2,728	
Bond Principal		690,000
Bond Interest		1,160,736
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,761,013</b>	<b>\$ 1,935,297</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>\$ 371,424</b>	<b>\$ 286,107</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 23,026	\$ -0-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 394,450</b>	<b>\$ 286,107</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - APRIL 1, 2024</b>	<b>2,175,910</b>	<b>2,528,763</b>
<b>FUND BALANCES/NET POSITION - MARCH 31, 2025</b>	<b>\$ 2,570,360</b>	<b>\$ 2,814,870</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 3,497,699	\$ 257,000	\$ 3,754,699
	110,743		110,743
	179,215		179,215
	94,982		94,982
	65,930	80,182	146,112
	225,920		225,920
		397,168	397,168
<u>313,768</u>	<u>493,120</u>		<u>493,120</u>
<u>\$ 313,768</u>	<u>\$ 4,667,609</u>	<u>\$ 734,350</u>	<u>\$ 5,401,959</u>
\$	\$ 301,734	\$	\$ 301,734
	146,210		146,210
	90,025		90,025
42,863	356,839		356,839
		537,468	537,468
		60,244	60,244
3,386	326,148		326,148
4,993,984	5,629,851	(5,629,851)	
604	604		604
	32,272	(32,272)	
	2,728		2,728
	690,000	(690,000)	
	<u>1,160,736</u>	<u>(657)</u>	<u>1,160,079</u>
<u>\$ 5,040,837</u>	<u>\$ 8,737,147</u>	<u>\$ (5,755,068)</u>	<u>\$ 2,982,079</u>
<u>\$ (4,727,069)</u>	<u>\$ (4,069,538)</u>	<u>\$ 6,489,418</u>	<u>\$ 2,419,880</u>
<u>\$ (23,026)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>\$ (4,750,095)</u>	<u>\$ (4,069,538)</u>	<u>\$ 4,069,538</u>	<u>\$</u>
		2,419,880	2,419,880
<u>7,676,874</u>	<u>12,381,547</u>	<u>(10,506,670)</u>	<u>1,874,877</u>
<u>\$ 2,926,779</u>	<u>\$ 8,312,009</u>	<u>\$ (4,017,252)</u>	<u>\$ 4,294,757</u>

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2025**

Net Change in Fund Balances - Governmental Funds \$ (4,069,538)

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 257,000

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 80,182

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated, right-to-use assets are amortized and depreciation and amortization expense are recorded in the Statement of Activities. (597,712)

Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 5,629,851

Governmental funds report bond premiums and discounts as other financing sources or uses in the year received or paid. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. 2,943

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (2,286)

Governmental funds report bond principal and lease principal payments as expenditures. However, in the Statement of Net Position, bond principal and lease principal payments decrease long-term liabilities. 722,272

Governmental activities report a gain or loss when the option to purchase a leased asset is exercised. 397,168

Change in Net Position - Governmental Activities \$ 2,419,880

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 1. CREATION OF DISTRICT**

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements and Governmental Funds

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. The District has three governmental funds and considers each to be a major fund. The General Fund accounts for customer service revenues, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At year end, the Debt Service Fund owed the General Fund \$60,533 for maintenance tax collections. During the current fiscal year, the Capital Projects Fund transferred \$23,026 to the General Fund to reimburse engineering costs paid by the General Fund in the prior year.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

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

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

Budgeting

An annual budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

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

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

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

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 3. LONG-TERM DEBT**

Changes in bonds payable for the current fiscal year are summarized in the following table:

	April 1, 2024	Additions	Retirements	March 31, 2025
Bonds Payable	\$ 32,830,000		\$ 690,000	\$ 32,140,000
Unamortized Discounts	(236,412)		(10,160)	(226,252)
Unamortized Premiums	310,020		13,103	296,917
Bonds Payable, net	<u>\$ 32,903,608</u>	<u>\$ -0-</u>	<u>\$ 692,943</u>	<u>\$ 32,210,665</u>
			Amount Due Within One Year	\$ 940,000
			Amount Due After One Year	<u>31,270,665</u>
			Total Bonds Payable, net	<u>\$ 32,210,665</u>

Bonds outstanding at year end consist of the following:

	Series 2019 Utility	Series 2020 Utility	Series 2021 Utility
Amount Outstanding – March 31, 2025	\$ 8,415,000	\$ 1,725,000	\$ 4,080,000
Interest Rates	3.00% - 3.75%	2.20% - 3.50%	1.40% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2044	September 1, 2025/2045	September 1, 2025/2046
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2025*	September 1, 2026*

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Series 2021 Road	Series 2023 Utility	Series 2024 Utility
Amount Outstanding – March 31, 2025	\$ 840,000	\$ 7,795,000	\$ 9,285,000
Interest Rates	1.40% - 3.00%	4.00% - 6.50%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2047	September 1, 2025/2047	September 1, 2025/2048
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	February 1, 2030*	March 1, 2030*

\* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2021 Road term bonds due September 1, 2040, 2043, and 2047, are subject to mandatory redemption beginning September 1, 2038, 2041, and 2044, respectively. Series 2023 term bonds due September 1, 2039, 2041, 2043, 2045 and 2047, are subject to mandatory redemption beginning September 1, 2038, 2040, 2042, 2044 and 2046, respectively. Series 2024 term bonds due September 1, 2042 and 2044, are subject to mandatory redemption beginning September 1, 2041 and 2043, respectively.

As of March 31, 2025, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2026	940,000	1,157,801	2,097,801
2027	975,000	1,123,606	2,098,606
2028	1,005,000	1,087,429	2,092,429
2029	1,050,000	1,049,146	2,099,146
2030	1,090,000	1,009,001	2,099,001
2031-2035	6,090,000	4,451,625	10,541,625
2036-2040	7,410,000	3,283,787	10,693,787
2041-2045	9,060,000	1,756,221	10,816,221
2046-2049	4,520,000	305,650	4,825,650
	<u>\$ 32,140,000</u>	<u>\$ 15,224,266</u>	<u>\$ 47,364,266</u>

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

The District has remaining bond authorization of \$134,550,000 for water, sewer and drainage purposes and facilities and organization and administration; \$19,000,000 for park and recreational facilities; and \$69,110,000 for paved roads and turnpikes. The District also has authorization to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds authorized by District voters. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District without limitation as to rate or amount.

During the year ended March 31, 2025, the District levied a combined ad valorem debt service tax rate (roads and utilities) of \$0.59 per \$100 of assessed valuation, which resulted in a tax levy of \$2,215,388 on the adjusted taxable valuation of \$375,489,463 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$4,170,379 and the bank balance was \$4,149,261. Of the bank balance, \$887,363 was covered by federal depository insurance and the remaining was covered by pledged collateral held by a third party in the District’s name. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits as of March 31, 2025, are summarized in the following table:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 476,823	\$ 800,000	\$ 1,276,823
DEBT SERVICE FUND	2,223,043	650,000	2,873,043
CAPITAL PROJECTS FUND	20,513		20,513
TOTAL DEPOSITS	\$ 2,720,379	\$ 1,450,000	\$ 4,170,379

Investments

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas Class.

Certificates of deposit are recorded at acquisition cost.

As of March 31, 2025, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 1,594,559	\$ 1,594,559
Certificate of Deposit	800,000	800,000
<u>DEBT SERVICE FUND</u>		
Certificate of Deposit	650,000	650,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	3,573,000	3,573,000
<b>TOTAL INVESTMENTS</b>	<u><u>\$ 6,617,559</u></u>	<u><u>\$ 6,617,559</u></u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit whose balances are covered by pledged collateral held by a third party in the District's name. The District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's.

Restrictions

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year current fiscal year is summarized in the following table:

	April 1, 2024	Increases	Decreases	March 31, 2025
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 853,799	\$	\$	\$ 853,799
Construction in Progress	<u>1,688,223</u>	<u>5,584,127</u>	<u>3,333,737</u>	<u>3,938,613</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,542,022</u>	<u>\$ 5,584,127</u>	<u>\$ 3,333,737</u>	<u>\$ 4,792,412</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 6,177,701	\$ 2,417,448	\$	\$ 8,595,149
Wastewater System	6,883,057	636,556		7,519,613
Drainage System	4,621,142	72,145		4,693,287
Roads	<u>5,578,078</u>	<u>207,588</u>	<u></u>	<u>5,785,666</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 23,259,978</u>	<u>\$ 3,333,737</u>	<u>\$ - 0 -</u>	<u>\$ 26,593,715</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 670,708	\$ 138,237	\$	\$ 808,945
Wastewater System	836,668	169,736		1,006,404
Drainage System	647,166	102,956		750,122
Roads	<u>1,029,503</u>	<u>126,539</u>	<u></u>	<u>1,156,042</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 3,184,045</u>	<u>\$ 537,468</u>	<u>\$ - 0 -</u>	<u>\$ 3,721,513</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 20,075,933</u>	<u>\$ 2,796,269</u>	<u>\$ - 0 -</u>	<u>\$ 22,872,202</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u><u>\$ 22,617,955</u></u>	<u><u>\$ 8,380,396</u></u>	<u><u>\$ 3,333,737</u></u>	<u><u>\$ 27,664,614</u></u>

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 7. MAINTENANCE TAX**

On November 3, 2009, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s facilities as well as any other lawfully authorized purpose. During the year ended March 31, 2025, the District levied an ad valorem maintenance tax rate of \$0.41 per \$100 of assessed valuation, which resulted in a tax levy of \$1,539,507 on the adjusted taxable valuation of \$375,489,463 for the 2024 tax year.

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

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

**NOTE 8. UNREIMBURSED DEVELOPER COSTS**

The Developer finances the cost of certain utility and road construction costs which benefit the District. In the current fiscal year, the Due to Developer balance was fully reimbursed as summarized in the following table.

Due to Developer, beginning of year	\$	45,724
Reimbursements		<u>(45,724)</u>
Due to Developer, end of year	\$	<u><u>-0-</u></u>

**NOTE 9. RISK MANAGEMENT**

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

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 10. LONE STAR GROUNDWATER CONSERVATION DISTRICT**

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

**NOTE 11. SAN JACINTO RIVER AUTHORITY**

The District is located within the boundaries of the San Jacinto River Authority (the “Authority”). The Authority must comply with the groundwater reduction requirements imposed by the Conservation District, as described in Note 10. The Authority charges a fee, currently \$2.67 per 1,000 gallons of groundwater pumped from its wells, which enables the Authority to maintain compliance with the rules of the Conservation District and the Groundwater Reduction Plan. The District recorded \$90,025 for fees during the current fiscal year.

**NOTE 12. WASTEWATER TREATMENT PLANT LEASE**

In a prior year, the District executed a Lease Agreement with AUC Group to lease a wastewater treatment plant. The lease liability was measured using the remaining lease term and a discount rate of 8.50%. Lease payments totaled \$35,000 during the current fiscal year. The District used Series 2024 bond proceeds to purchase the plant and retire the remaining balance due on the lease. Current year activity for leased assets is summarized below:

	April 1, 2024	Increases	Decreases	March 31, 2025
<b>Right-to-use Asset Subject to Amortization</b>				
Wastewater Treatment Plant	\$ 1,084,381	\$ - 0 -	\$ 1,084,381	\$ - 0 -
<b>Less Accumulated Amortization</b>				
Wastewater Treatment Plant	\$ 722,921	\$ 60,244	\$ 783,165	\$ - 0 -
<b>Right-to-use Asset Net of Accumulated Amortization</b>	<u>\$ 361,460</u>	<u>\$ (60,244)</u>	<u>\$ 301,216</u>	<u>\$ - 0 -</u>

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 12. WASTEWATER TREATMENT PLANT LEASE (Continued)**

The changes in lease liability are summarized below:

Lease Payable, April 1, 2024	\$ 730,656
Less: Lease Principal Paid	(32,272)
Less: Removal of Liability	<u>(698,384)</u>
Lease Payable, March 31, 2025	<u>\$ - 0 -</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2025**

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2025**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,031,000	\$ 1,421,196	\$ 390,196
Water Service	130,000	110,743	(19,257)
Wastewater Service	175,000	179,215	4,215
Water Authority Fees	101,400	94,982	(6,418)
Connection and Inspection Fees	110,000	225,920	115,920
Investment and Miscellaneous Revenues	<u>85,500</u>	<u>100,381</u>	<u>14,881</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,632,900</u>	<u>\$ 2,132,437</u>	<u>\$ 499,537</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 252,000	\$ 273,626	\$ (21,626)
Contracted Services	97,900	106,308	(8,408)
Water Authority Assessments	98,200	90,025	8,175
Repairs and Maintenance	206,600	313,976	(107,376)
Other	233,719	306,211	(72,492)
Capital Outlay	160,000	635,867	(475,867)
Debt Service:			
Lease Principal		32,272	(32,272)
Lease Interest		<u>2,728</u>	<u>(2,728)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,048,419</u>	<u>\$ 1,761,013</u>	<u>\$ (712,594)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES</b>	<u>\$ 584,481</u>	<u>\$ 371,424</u>	<u>\$ (213,057)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ 23,026</u>	<u>\$ 23,026</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 584,481	\$ 394,450	\$ (190,031)
<b>FUND BALANCE - APRIL 1, 2024</b>	<u>2,175,910</u>	<u>2,175,910</u>	<u></u>
<b>FUND BALANCE - MARCH 31, 2025</b>	<u>\$ 2,760,391</u>	<u>\$ 2,570,360</u>	<u>\$ (190,031)</u>

See accompanying independent auditor's report.

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

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

**MARCH 31, 2025**



**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2025**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>215</u>	<u>213</u>	x 1.0	<u>213</u>
1"	<u>22</u>	<u>22</u>	x 2.5	<u>55</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>15</u>	<u>15</u>	x 8.0	<u>120</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>253</u></u>	<u><u>251</u></u>		<u><u>393</u></u>
Total Wastewater Connections	<u><u>238</u></u>	<u><u>236</u></u>	x 1.0	<u><u>236</u></u>

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

Gallons pumped into system:	31,170,000	Water Accountability Ratio: 94.31%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	29,398,000	

See accompanying independent auditor's report.



**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2025**

PROFESSIONAL FEES:	
Auditing	\$ 17,000
Engineering	189,916
Legal	<u>66,710</u>
TOTAL PROFESSIONAL FEES	<u>\$ 273,626</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,208
Operations and Billing	38,927
Solid Waste Disposal	<u>48,173</u>
TOTAL CONTRACTED SERVICES	<u>\$ 106,308</u>
UTILITIES	<u>\$ 82,960</u>
REPAIRS AND MAINTENANCE	<u>\$ 313,976</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 13,323
Insurance	30,556
Travel and Meetings	2,307
Other	<u>1,158</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 47,344</u>
CAPITAL OUTLAY	<u>\$ 635,867</u>
OTHER EXPENDITURES:	
Lab Fees and Chemicals	\$ 28,296
Permit Fees and Regulatory Assessments	17,758
Connection, Inspection and Reconnection Fees	129,853
Water Authority Assessments	<u>90,025</u>
TOTAL OTHER EXPENDITURES	<u>\$ 265,932</u>
DEBT SERVICE:	
Lease Principal	\$ 32,272
Lease Interest	<u>2,728</u>
TOTAL DEBT SERVICE	<u>\$ 35,000</u>
TOTAL EXPENDITURES	<u><u>\$ 1,761,013</u></u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
INVESTMENTS  
MARCH 31, 2025**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 1,594,559	\$
Certificate of Deposit	XXXX1002	5.11%	08/22/25	<u>800,000</u>	<u>3,540</u>
TOTAL GENERAL FUND				<u>\$ 2,394,559</u>	<u>\$ 3,540</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1003	5.11%	08/22/25	<u>\$ 650,000</u>	<u>\$ 2,944</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	<u>\$ 3,573,000</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 6,617,559</u>	<u>\$ 6,484</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2025**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2024	\$	99,017	\$	190,471
Adjustments to Beginning				
Balance		<u>(734)</u>	\$	<u>98,283</u>
			<u>538</u>	\$
				<u>191,009</u>
Original 2024 Tax Levy	\$	1,470,438	\$	2,115,997
Adjustment to 2024 Tax Levy		<u>69,069</u>	<u>1,539,507</u>	<u>99,391</u>
			<u>2,215,388</u>	
TOTAL TO BE				
ACCOUNTED FOR		\$	1,637,790	\$
				<u>2,406,397</u>
TAX COLLECTIONS:				
Prior Years	\$	48,906	\$	101,744
Current Year		<u>1,372,290</u>	<u>1,421,196</u>	<u>1,974,759</u>
			<u>2,076,503</u>	
TAXES RECEIVABLE -				
MARCH 31, 2025		<u>\$</u>	<u>216,594</u>	<u>\$</u>
				<u>329,894</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	167,217	\$	240,629
2023		29,496		60,631
2022		13,026		22,100
2021		<u>6,855</u>		<u>6,534</u>
TOTAL		<u>\$</u>	<u>216,594</u>	<u>\$</u>
				<u>329,894</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2025**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 112,187,664	\$ 110,855,120	\$ 71,865,240	\$ 53,655,700
Improvements	266,010,355	178,878,454	144,447,764	103,855,260
Personal Property	1,047,991	2,575,390	1,160,905	2,161,586
Exemptions	<u>(3,756,547)</u>	<u>(254,850)</u>	<u>(285,117)</u>	<u>(2,320,222)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 375,489,463</u>	<u>\$ 292,054,114</u>	<u>\$ 217,188,792</u>	<u>\$ 157,352,324</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.59	\$ 0.74	\$ 0.755	\$ 0.61
Maintenance	<u>0.41</u>	<u>0.36</u>	<u>0.445</u>	<u>0.64</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 1.00</u>	<u>\$ 1.10</u>	<u>\$ 1.200</u>	<u>\$ 1.25</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 3,754,895</u>	<u>\$ 3,212,595</u>	<u>\$ 2,606,265</u>	<u>\$ 1,966,904</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>89.14 %</u>	<u>97.19 %</u>	<u>98.65 %</u>	<u>99.32 %</u>

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

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

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

SERIES-2019 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 260,000	\$ 290,056	\$ 550,056
2027	275,000	282,031	557,031
2028	285,000	273,631	558,631
2029	300,000	264,856	564,856
2030	315,000	255,631	570,631
2031	330,000	245,750	575,750
2032	345,000	234,988	579,988
2033	360,000	223,306	583,306
2034	380,000	210,819	590,819
2035	395,000	197,494	592,494
2036	415,000	183,319	598,319
2037	435,000	168,444	603,444
2038	455,000	152,584	607,584
2039	480,000	135,638	615,638
2040	500,000	117,563	617,563
2041	525,000	98,344	623,344
2042	550,000	78,188	628,188
2043	575,000	57,091	632,091
2044	605,000	34,969	639,969
2045	630,000	11,813	641,813
2046			
2047			
2048			
2049			
	<u>\$ 8,415,000</u>	<u>\$ 3,516,515</u>	<u>\$ 11,931,515</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

SERIES - 2020 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 55,000	\$ 52,928	\$ 107,928
2027	55,000	51,690	106,690
2028	60,000	50,338	110,338
2029	60,000	48,868	108,868
2030	65,000	47,273	112,273
2031	65,000	45,550	110,550
2032	70,000	43,693	113,693
2033	70,000	41,698	111,698
2034	75,000	39,558	114,558
2035	75,000	37,308	112,308
2036	80,000	34,983	114,983
2037	80,000	32,543	112,543
2038	85,000	29,943	114,943
2039	90,000	27,098	117,098
2040	95,000	24,021	119,021
2041	95,000	20,815	115,815
2042	100,000	17,475	117,475
2043	105,000	13,913	118,913
2044	110,000	10,150	120,150
2045	115,000	6,213	121,213
2046	120,000	2,100	122,100
2047			
2048			
2049			
	<u>\$ 1,725,000</u>	<u>\$ 678,158</u>	<u>\$ 2,403,158</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

SERIES - 2021 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 185,000	\$ 100,801	\$ 285,801
2027	185,000	98,119	283,119
2028	185,000	94,881	279,881
2029	185,000	91,181	276,181
2030	185,000	87,481	272,481
2031	185,000	83,781	268,781
2032	185,000	79,966	264,966
2033	185,000	75,919	260,919
2034	185,000	71,525	256,525
2035	185,000	66,900	251,900
2036	185,000	62,275	247,275
2037	185,000	57,419	242,419
2038	185,000	52,331	237,331
2039	185,000	47,128	232,128
2040	185,000	41,809	226,809
2041	185,000	36,375	221,375
2042	185,000	30,825	215,825
2043	185,000	25,275	210,275
2044	185,000	19,725	204,725
2045	185,000	14,175	199,175
2046	190,000	8,550	198,550
2047	190,000	2,850	192,850
2048			
2049			
	<u>\$ 4,080,000</u>	<u>\$ 1,249,291</u>	<u>\$ 5,329,291</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

SERIES - 2021 ROAD BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 25,000	\$ 21,866	\$ 46,866
2027	25,000	21,491	46,491
2028	25,000	21,066	46,066
2029	30,000	20,541	50,541
2030	30,000	19,941	49,941
2031	30,000	19,341	49,341
2032	30,000	18,723	48,723
2033	30,000	18,066	48,066
2034	30,000	17,373	47,373
2035	35,000	16,579	51,579
2036	35,000	15,686	50,686
2037	35,000	14,772	49,772
2038	35,000	13,831	48,831
2039	40,000	12,750	52,750
2040	40,000	11,550	51,550
2041	40,000	10,350	50,350
2042	40,000	9,150	49,150
2043	45,000	7,875	52,875
2044	45,000	6,525	51,525
2045	45,000	5,175	50,175
2046	50,000	3,750	53,750
2047	50,000	2,250	52,250
2048	50,000	750	50,750
2049			
	<u>\$ 840,000</u>	<u>\$ 309,401</u>	<u>\$ 1,149,401</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

SERIES - 2023 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 190,000	\$ 334,450	\$ 524,450
2027	200,000	321,775	521,775
2028	205,000	308,613	513,613
2029	220,000	294,800	514,800
2030	230,000	280,175	510,175
2031	240,000	266,550	506,550
2032	250,000	255,400	505,400
2033	265,000	245,100	510,100
2034	280,000	234,200	514,200
2035	290,000	222,800	512,800
2036	305,000	210,900	515,900
2037	320,000	198,400	518,400
2038	340,000	185,200	525,200
2039	355,000	171,300	526,300
2040	375,000	156,700	531,700
2041	390,000	141,400	531,400
2042	410,000	125,400	535,400
2043	430,000	108,600	538,600
2044	450,000	91,000	541,000
2045	475,000	72,500	547,500
2046	500,000	53,000	553,000
2047	525,000	32,500	557,500
2048	550,000	11,000	561,000
2049			
	<u>\$ 7,795,000</u>	<u>\$ 4,321,763</u>	<u>\$ 12,116,763</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

SERIES - 2024 UTILITY BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 225,000	\$ 357,700	\$ 582,700
2027	235,000	348,500	583,500
2028	245,000	338,900	583,900
2029	255,000	328,900	583,900
2030	265,000	318,500	583,500
2031	280,000	307,600	587,600
2032	290,000	297,650	587,650
2033	305,000	288,344	593,344
2034	315,000	278,269	593,269
2035	330,000	267,375	597,375
2036	345,000	254,700	599,700
2037	360,000	240,600	600,600
2038	380,000	225,800	605,800
2039	395,000	210,300	605,300
2040	410,000	194,200	604,200
2041	430,000	177,400	607,400
2042	450,000	159,800	609,800
2043	470,000	141,400	611,400
2044	490,000	122,200	612,200
2045	515,000	102,100	617,100
2046	535,000	81,100	616,100
2047	560,000	59,200	619,200
2048	585,000	36,300	621,300
2049	615,000	12,300	627,300
	<u>\$ 9,285,000</u>	<u>\$ 5,149,138</u>	<u>\$ 14,434,138</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 940,000	\$ 1,157,801	\$ 2,097,801
2027	975,000	1,123,606	2,098,606
2028	1,005,000	1,087,429	2,092,429
2029	1,050,000	1,049,146	2,099,146
2030	1,090,000	1,009,001	2,099,001
2031	1,130,000	968,572	2,098,572
2032	1,170,000	930,420	2,100,420
2033	1,215,000	892,433	2,107,433
2034	1,265,000	851,744	2,116,744
2035	1,310,000	808,456	2,118,456
2036	1,365,000	761,863	2,126,863
2037	1,415,000	712,178	2,127,178
2038	1,480,000	659,689	2,139,689
2039	1,545,000	604,214	2,149,214
2040	1,605,000	545,843	2,150,843
2041	1,665,000	484,684	2,149,684
2042	1,735,000	420,838	2,155,838
2043	1,810,000	354,154	2,164,154
2044	1,885,000	284,569	2,169,569
2045	1,965,000	211,976	2,176,976
2046	1,395,000	148,500	1,543,500
2047	1,325,000	96,800	1,421,800
2048	1,185,000	48,050	1,233,050
2049	615,000	12,300	627,300
	<u>\$ 32,140,000</u>	<u>\$ 15,224,266</u>	<u>\$ 47,364,266</u>

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MARCH 31, 2025**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2024
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2019	\$ 9,350,000	\$ 8,665,000
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2020	1,920,000	1,775,000
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2021	4,635,000	4,265,000
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Road Bonds - Series 2021	890,000	865,000
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2023	8,260,000	7,975,000
Blaketree Municipal Utility District No. 1 of Montgomery County Unlimited Tax Bonds - Series 2024	<u>9,285,000</u>	<u>9,285,000</u>
<b>TOTAL</b>	<b><u>\$ 34,340,000</u></b>	<b><u>\$ 32,830,000</u></b>

Bond Authority:	<u>Tax Bonds</u>	<u>Road Bonds</u>	<u>Park Bonds</u>
Amount Authorized by Voters	\$ 168,000,000	\$ 70,000,000	\$ 19,000,000
Amount Issued	<u>33,450,000</u>	<u>890,000</u>	<u>                    </u>
Remaining to be Issued	<u>\$ 134,550,000</u>	<u>\$ 69,110,000</u>	<u>\$ 19,000,000</u>
	*	*	*

\* Refunding bond authorization is equal to 1.5 times the total amount authorized by voters.

Debt Service Fund cash and investment balances as of March 31, 2025:	<u>\$ 2,873,043</u>
Average annual debt service payment for remaining term of all bond debt:	<u>\$ 1,973,511</u>

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2025</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 250,000	\$ 297,706	\$ 8,415,000	Zions Bancorporation N.A. Houston, TX
	50,000	54,058	1,725,000	Zions Bancorporation N.A. Houston, TX
	185,000	103,252	4,080,000	Zions Bancorporation N.A. Houston, TX
	25,000	22,198	840,000	Zions Bancorporation N.A. Houston, TX
	180,000	346,475	7,795,000	Zions Bancorporation N.A. Houston, TX
		337,047	9,285,000	Zions Bancorporation N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 690,000</u>	<u>\$ 1,160,736</u>	<u>\$ 32,140,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2025	2024	2023
<b>REVENUES</b>			
Property Taxes	\$ 1,421,196	\$ 1,060,509	\$ 986,733
Water Service	110,743	114,558	83,722
Wastewater Service	179,215	156,210	131,422
Water Authority Fees	94,982	87,812	64,535
Connection and Inspection Fees	225,920	132,535	179,732
Investment and Miscellaneous Revenues	<u>100,381</u>	<u>68,951</u>	<u>30,086</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,132,437</u>	<u>\$ 1,620,575</u>	<u>\$ 1,476,230</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 273,626	\$ 261,178	\$ 283,392
Contracted Services	106,308	91,748	79,102
Water Authority Assessments	90,025	85,098	65,876
Repairs and Maintenance	313,976	287,180	141,744
Lease Payments	35,000	210,000	210,000
Other	306,211	211,727	346,705
Capital Outlay	<u>635,867</u>	<u>173,989</u>	<u>310,737</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,761,013</u>	<u>\$ 1,320,920</u>	<u>\$ 1,437,556</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES</b>	<u>\$ 371,424</u>	<u>\$ 299,655</u>	<u>\$ 38,674</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	<u>\$ 23,026</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 394,450	\$ 299,655	\$ 38,674
<b>BEGINNING FUND BALANCE</b>	<u>2,175,910</u>	<u>1,876,255</u>	<u>1,837,581</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,570,360</u>	<u>\$ 2,175,910</u>	<u>\$ 1,876,255</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 980,160	\$ 905,233	66.6 %	65.4 %	66.8 %	74.6 %	80.5 %
57,431	61,526	5.2	7.1	5.7	4.4	5.5
83,816	54,045	8.4	9.6	8.9	6.4	4.8
40,061	51,883	4.5	5.4	4.4	3.0	4.6
142,588	41,915	10.6	8.2	12.2	10.9	3.7
9,674	9,633	4.7	4.3	2.0	0.7	0.9
<u>\$ 1,313,730</u>	<u>\$ 1,124,235</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 174,854	\$ 217,506	12.8 %	16.1 %	19.2 %	13.3 %	19.3 %
74,456	54,253	5.0	5.7	5.4	5.7	4.8
43,016	43,688	4.2	5.3	4.5	3.3	3.9
160,674	86,999	14.7	17.7	9.6	12.2	7.7
210,000		1.6	13.0	14.2	16.0	
274,857	137,279	14.4	13.1	23.5	20.9	12.2
541,508	152,712	29.8	10.7	21.0	41.2	13.6
<u>\$ 1,479,365</u>	<u>\$ 692,437</u>	<u>82.5 %</u>	<u>81.6 %</u>	<u>97.4 %</u>	<u>112.6 %</u>	<u>61.5 %</u>
<u>\$ (165,635)</u>	<u>\$ 431,798</u>	<u>17.5 %</u>	<u>18.4 %</u>	<u>2.6 %</u>	<u>(12.6) %</u>	<u>38.5 %</u>
<u>\$ (17,500)</u>	<u>\$ -0-</u>					
\$ (183,135)	\$ 431,798					
<u>2,020,716</u>	<u>1,588,918</u>					
<u>\$ 1,837,581</u>	<u>\$ 2,020,716</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2025	2024	2023
<b>REVENUES</b>			
Property Taxes	\$ 2,076,503	\$ 2,147,848	\$ 1,584,155
Penalty and Interest	64,472	61,346	44,089
Investment and Miscellaneous Revenues	80,429	48,736	18,241
<b>TOTAL REVENUES</b>	<b>\$ 2,221,404</b>	<b>\$ 2,257,930</b>	<b>\$ 1,646,485</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 81,361	\$ 41,698	\$ 40,441
Debt Service Principal	690,000	785,000	465,000
Debt Service Interest and Fees	1,163,936	869,688	502,429
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,935,297</b>	<b>\$ 1,696,386</b>	<b>\$ 1,007,870</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 286,107</b>	<b>\$ 561,544</b>	<b>\$ 638,615</b>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Issuance of Long-Term Debt	\$ -0-	\$ -0-	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 286,107</b>	<b>\$ 561,544</b>	<b>\$ 638,615</b>
<b>BEGINNING FUND BALANCE</b>	2,528,763	1,967,219	1,328,604
<b>ENDING FUND BALANCE</b>	<b>\$ 2,814,870</b>	<b>\$ 2,528,763</b>	<b>\$ 1,967,219</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	251	222	189
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	236	209	178

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 913,739	\$ 805,610	93.5 %	95.1 %	96.2 %	95.7 %	95.0 %
40,069	38,443	2.9	2.7	2.7	4.2	4.5
1,003	4,642	3.6	2.2	1.1	0.1	0.5
<u>\$ 954,811</u>	<u>\$ 848,695</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 38,027	\$ 32,873	3.6 %	1.8 %	2.5 %	4.0 %	3.9 %
260,000		31.1	34.8	28.2	27.2	
460,680	353,829	52.4	38.5	30.5	48.2	41.7
<u>\$ 758,707</u>	<u>\$ 386,702</u>	<u>87.1 %</u>	<u>75.1 %</u>	<u>61.2 %</u>	<u>79.4 %</u>	<u>45.6 %</u>
\$ 196,104	\$ 461,993	12.9 %	24.9 %	38.8 %	20.6 %	54.4 %
\$ 33,943	\$ -0-					
\$ 230,047	\$ 461,993					
1,098,557	636,564					
<u>\$ 1,328,604</u>	<u>\$ 1,098,557</u>					
<u>158</u>	<u>126</u>					
<u>154</u>	<u>123</u>					

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2025**

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

District Telephone Number - (713) 651-0111

<b>Board Members:</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>March 31, 2025</u>	Expense Reimbursements for the year ended <u>March 31, 2025</u>	<u>Title</u>
Tammy Pizzitola	05/2024 05/2028 (Elected)	\$ 2,873	\$ 163	President
Jimmy Thornton	05/2024 05/2028 (Elected)	\$ 2,210	\$ 625	Vice President
Lorie Varnas	05/2022 05/2026 (Elected)	\$ 2,431	\$ 328	Secretary
Lee Johns	08/2022 05/2026 (Appointed)	\$ 2,210	\$ 638	Assistant Secretary
Scott Shelburne	03/2023 05/2026 (Appointed)	\$ 2,652	\$ 553	Assistant Secretary

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

The most recent submission date of the District Registration Form was on June 17, 2024.

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

See accompanying independent auditor's report.

**BLAKETREE MUNICIPAL UTILITY DISTRICT NO. 1  
OF MONTGOMERY COUNTY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2025**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees / Compensation for the year ended March 31, 2025</u>	<u>Title</u>
Coats Rose, P.C.	07/17/09	\$ 66,710 \$ 28,108	General Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	02/16/16	\$ 17,000 \$ 8,500	Auditor Bond Related
L & S District Services, LLC	07/17/09	\$ 19,208	Bookkeeper
Quiddity Engineering, LLC	07/08/16	\$ 763,753	Engineer
Robert W. Baird & Co. Incorporated	03/13/15	\$ -0-	Financial Advisor
Debra Loggins	07/17/09	\$ -0-	Investment Officer
Hays Utility North Corporation	10/10/14	\$ 503,509	Operator
Utility Tax Service, LLC	10/10/14	\$ 12,128	Tax Assessor/ Collector

See accompanying independent auditor's report.

**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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