

OFFICIAL STATEMENT DATED OCTOBER 2, 2025

In the opinion of Bond Counsel (hereinafter defined), under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations.

The Bonds are designated as “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE – Book-Entry-Only

RATINGS: S&P (INSURED)... “AA”

See “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE”

\$3,750,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578 (A political subdivision of the State of Texas located within Harris County) **UNLIMITED TAX ROAD BONDS, SERIES 2025**

Dated Date: Date of Delivery (defined herein)

Due: September 1, as shown below

The \$3,750,000 Harris County Municipal Utility District No. 578 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are obligations of Harris County Municipal Utility District No. 578 (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.

Principal of the Bonds is payable upon presentation at the principal payment office of UMB Bank, N.A., Houston, Texas, the paying agent/registrar (the “Paying Agent/Registrar”). Interest accrues from the Date of Delivery (defined below), and is payable on March 1, 2026 and 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 by check or draft, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the bond register kept by the Paying Agent/Registrar (the “Registered Owners”) on the fifteenth day of the month prior to each 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.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policy”.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 41431E ^(c)	Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 41431E ^(c)
2027	\$80,000	7.000%	2.800%	BB7	2035 ^(d)	\$115,000	4.000%	3.850%	BK7
2028	80,000	7.000%	2.800%	BC5	2046 ^(d)	200,000	4.625%	4.700%	BW1
2029	85,000	7.000%	2.850%	BD3	2047 ^(d)	210,000	4.625%	4.730%	BX9
2030	90,000	7.000%	3.000%	BE1	2048 ^(d)	220,000	4.625%	4.750%	BY7
2031	95,000	7.000%	3.150%	BF8	2049 ^(d)	230,000	4.625%	4.760%	BZ4
2032 ^(d)	100,000	7.000%	3.300%	BG6	2050 ^(d)	245,000	4.625%	4.770%	CA8
2033 ^(d)	105,000	7.000%	3.450%	BH4	2051 ^(d)	255,000	4.625%	4.780%	CB6
2034 ^(d)	110,000	6.750%	3.600%	BJ0					

\$245,000 Term Bond due September 1, 2037 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 4.050% ^(b) CUSIP No. 41431E BM3 ^(c)

\$275,000 Term Bond due September 1, 2039 ^{(d)(e)} Interest Rate 4.250% ^(a) Initial Yield 4.250% ^(b) CUSIP No. 41431E BP6 ^(c)

\$305,000 Term Bond due September 1, 2041 ^{(d)(e)} Interest Rate 4.375% ^(a) Initial Yield 4.450% ^(b) CUSIP No. 41431E BR2 ^(c)

\$335,000 Term Bond due September 1, 2043 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.550% ^(b) CUSIP No. 41431E BT8 ^(c)

\$370,000 Term Bond due September 1, 2045 ^{(d)(e)} Interest Rate 4.625% ^(a) Initial Yield 4.650% ^(b) CUSIP No. 41431E BV3 ^(c)

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.00% of par, resulting in a net effective interest rate to the District of 4.872457%. Interest accrues from the Date of Delivery.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Bonds maturing on or after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time-to-time in part, on September 1, 2031, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”
- (e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See “THE BONDS – Redemption Provisions.”

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 against all taxable property within the District. See “THE BONDS – Sources of Payment.” Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, or any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, (“Bond Counsel”). Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas (“Disclosure Counsel”). Delivery of the Bonds through the facilities of DTC is expected on or about November 12, 2025.

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 or the Initial Purchaser.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer of 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, contracts, records, 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 Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 for further 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the 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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "SOURCES OF INFORMATION –Updating of Official Statement."

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

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

[the remainder of this page left blank intentionally]

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	2	DISTRICT DEBT	33
SALE AND DISTRIBUTION OF THE BONDS.....	4	General	33
Award of the Bonds.....	4	Direct Debt	33
Prices and Marketability.....	4	Authorized but Unissued Bonds	33
Securities Laws.....	4	Outstanding Bonds.....	34
MUNICIPAL BOND RATINGS.....	4	Estimated Direct and Overlapping Debt Statement.....	34
MUNICIPAL BOND INSURANCE	4	Estimated Overlapping Taxes	35
Bond Insurance Policy.....	4	TAX DATA.....	35
Build America Mutual Assurance Company	5	Debt Service Tax.....	35
MUNICIPAL BOND INSURANCE RISK FACTORS	6	Maintenance Tax.....	35
OFFICIAL STATEMENT SUMMARY.....	7	Tax Rate Distribution	35
SELECTED FINANCIAL INFORMATION.....	10	Tax Rate Calculations	36
INTRODUCTION	11	Analysis of Tax Base.....	36
THE BONDS	11	Historical Tax Collections.....	37
General.....	11	Principal Property Owners	37
Book-Entry-Only System.....	11	DEBT SERVICE REQUIREMENTS.....	38
Effect of Termination of “Book-Entry Only” System	13	TAXING PROCEDURES	39
Successor Paying Agent/Registrar	13	Property Tax Code and County-Wide Appraisal District.....	39
Registration, Transfer and Exchange	13	Property Subject to Taxation by the District.....	39
Replacement of Bonds.....	14	Tax Abatement	40
Redemption Provisions.....	14	Valuation of Property for Taxation.....	40
Sources of Payment	15	District and Taxpayer Remedies	41
Annexation by the City of Houston.....	15	Levy and Collection of Taxes	41
Consolidation.....	15	Rollback of Operation and Maintenance Tax Rate.....	42
Debt Service Fund	16	Collection of Delinquent Taxes	42
Authority for Issuance	16	LEGAL MATTERS.....	43
No Arbitrage	17	Legal Opinions	43
Legal Ability to Issue Additional Debt	17	Legal Review.....	43
Registered Owners’ Remedies	17	No Material Adverse Change.....	44
Bankruptcy Limitation to Registered Owners’ Rights	18	TAX MATTERS.....	44
Defeasance.....	18	Opinion.....	44
Legal Investment and Eligibility to Secure Public Funds in		Collateral Federal Income Tax Consequences.....	44
Texas	18	State, Local and Foreign Taxes.....	45
Amendments to the Bond Order.....	19	Qualified Tax-Exempt Obligations for Financial Institutions.....	45
RISK FACTORS.....	19	Tax Accounting Treatment of Original Issue Discount Bonds ...	46
General.....	19	Tax Accounting Treatment of Premium Bonds.....	46
Factors Affecting Taxable Values and Tax Payments.....	19	Future and Proposed Legislation.....	47
Specific Flood Type Risks.....	21	NO-LITIGATION.....	47
National Weather Service Atlas Rainfall Study.....	21	MUNICIPAL ADVISOR.....	47
Tax Collection Limitations.....	21	CONTINUING DISCLOSURE OF INFORMATION	48
Bondholders’ Remedies	21	Annual Reports.....	48
Future Debt.....	22	Material Event Notices.....	48
Marketability.....	22	Availability of Information	49
Continuing Compliance with Certain Covenants.....	22	Limitations and Amendments	49
Approval of the Bonds.....	22	Compliance with Prior Undertakings.....	49
Changes in Tax Legislation.....	23	SOURCES OF INFORMATION	50
2025 Legislative Session.....	23	Consultants	50
Environmental Regulations	23	Updating of Official Statement	50
100-Year Flood Plain	25	Certification of Official Statement.....	50
SOURCES AND USES OF FUNDS	26	AERIAL PHOTOGRAPH	52
THE DISTRICT.....	27	DISTRICT PHOTOS	53
Authority.....	27	APPENDIX A – INDEPENDENT AUDITOR’S REPORT	
Location	27	AND FINANCIAL STATEMENTS OF THE DISTRICT	
THE DEVELOPER.....	27	APPENDIX B – SPECIMEN MUNICIPAL BOND	
Role of a Developer	27	INSURANCE POLICY	
The Developer	27		
DEVELOPMENT WITHIN THE DISTRICT.....	28		
Future Development within District.....	28		
Status of Development	29		
Homebuilders.....	29		
Management of the District.....	29		
THE SYSTEM.....	30		
General.....	30		
Description.....	30		
THE ROAD SYSTEM.....	31		
OPERATING HISTORY	32		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by Robert W. Baird & Co., Inc. (referred to herein as the “Initial Purchaser”). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the cover page of this Official Statement, at a price of 97.00% of the par value thereof, which resulted in a net effective interest rate of 4.872457%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms respecting 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 offering price, 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 PRICE OF THE BONDS AT A LEVEL ABOVE THAT 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 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 jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred.

This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

MUNICIPAL BOND RATINGS

Standard and Poor’s Financial Services LLC, a business unit of S&P Global Ratings (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). An explanation of the rating may be obtained from S&P. See “MUNICIPAL BOND INSURANCE.”

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit 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: www.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 S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.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 the heading "MUNICIPAL BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <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 of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event the bond insurer (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 description of “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE” herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Initial Purchaser has 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 and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

[the remainder of this page left blank intentionally]

OFFICIAL STATEMENT SUMMARY

The following summary of information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more detailed information. This summary should not be detached, but should be used in conjunction with the more complete information contained herein.

The Issuer Harris County Municipal Utility District No. 578 (the “District”), a political subdivision of the State of Texas (the “State”), was created pursuant to Senate Bill 2162, 87th Texas Legislature, Regular Session 2021, codified as Chapter 7914A, Texas Special District Local Laws Code, effective May 14, 2021. The District operates under Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and is subject to the jurisdiction of the Texas Commission on Environmental Quality (“TCEQ” or “Commission”) under said chapters and other general statutes of Texas applicable to Municipal Utility Districts.

The District is combined of two (2) subdivisions that are non-contiguous. Preserve at Newport (143.34 acres) and Synova (336.93 acres) location descriptions are as follows. Preserve at Newport is located approximately 20 miles northeast of the central downtown business district of the City of Houston, Texas (the “City”) and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Crosby Independent School District. Preserve at Newport is bounded on the north by South Diamondhead Boulevard, on the east by Cuddy Drive, and the west by San Jacinto River. Preserve at Newport can be accessed from Interstate 10 east, by exiting to US-90 east, exiting to go west on Krenak Road and north on FM 2100, going west on South Diamondhead Boulevard to the main entrance to Preserve at Newport, South Diamondhead Boulevard. Main thoroughfares in Preserve at Newport include South Diamondhead Boulevard. Synova is bounded on the north by Foley Road and on the east by Noyce Road. Synova can be accessed from Interstate 10 east, by existing to US-90 east, existing to go west on Krenak Road and north on FM 2100, going east on Foley Road to the main entrance to Synova, East Lake Houston Parkway. Main thoroughfares in Synova include East Lake Houston Parkway. See “THE DISTRICT.”

Description of the Bonds The District’s \$3,750,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are being issued pursuant to a order authorizing issuance of the Bonds by the District’s Board of Directors and a pricing certificate to be executed by authorized officials of the District pursuant to the order (the “Bond Order”). The Bonds are being issued as serial bonds (the “Serial Bonds”) in the aggregate principal amount of \$3,750,000, maturing annually on September 1 in varying amounts in the years 2027 through 2051, both inclusive. The Initial Purchaser (hereinafter defined) may designate one or more of the Bonds maturing in years 2032 through 2051, both inclusive, as term bonds (the “Term Bonds”). Interest on the Bonds is payable on each March 1 and September 1 beginning March 1, 2026. See “THE BONDS.”

Use of Proceeds A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the construction costs set out under “SOURCES AND USES OF FUNDS.” In addition, a portion of the proceeds from the Bonds will be used to finance twelve (12) months of capitalized interest, and to pay developer interest and certain other costs associated with the issuance of the Bonds. See “SOURCES AND USES OF FUNDS.”

Development Within the District The District consists of two (2) subdivisions that are non-contiguous, Preserve at Newport (143.34 acres) and Synova (336.93 acres). As of September 22, 2025, there were 182 platted lots in Preserve at Newport, 182 of which were completed and occupied homes. As of September 22, 2025, there were 435 platted lots in Synova, 2 completed and occupied homes, 142 homes under

construction, and 291 vacant lots. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development.”

The Developers..... Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company (“Lennar” or “Developer”), has developed approximately 57.5 acres within the District as the first two sections of the Preserve at Newport, which consists of 182 single-family lots. Lennar is developing 435 single-family lots in Section 1-5 at Synova. See “DEVELOPMENT WITHIN THE DISTRICT.”

Rampart Holdings, LLC (“Rampart”) owns approximately 26.293 acres in the District. Rochester Development Company, LLC (“Rochester”) owns approximately 9.457 acres in the District.

Homebuilders within the District..... Completed homes within the District have been constructed by Lennar with an average sales price of \$220,000. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development.”

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, levied upon all taxable property located within the District, which under State law is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of Harris County, Texas; the State; the City; or any entity other than the District. See “THE BONDS – Sources of Payment.”

Authority for Issuance At an election held within the District on November 2, 2021, the District voters authorized the issuance of (1) \$368,700,000 for the issuance of bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the “System”), (2) \$75,800,000 for the issuance of bonds for the costs of parks and recreational facilities (the “Park System”) and (3) \$179,800,000 for the purpose of construction of roads within the District (the “Road System”). The Bonds constitute the first issuance of bonds for the construction of the Road System from such authorization. After the issuance of the Bonds, \$176,050,000 principal amount of unlimited tax bonds for the Road System, \$364,485,000 principal amount of unlimited tax bonds for the System, and \$75,800,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution; a bond election held within the District; Chapter 7914A, Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – Authority” and “THE BONDS – Authority for Issuance.”

Outstanding Bonds..... The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the System, its \$4,215,000 Unlimited Tax Bonds, Series 2024 (the “Outstanding Bonds”). At the delivery of the Bonds, \$4,215,000 principal amount of such previously issued debt will remain outstanding.

Qualified Tax-Exempt Obligations..... The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds, including the Bonds, issued by it during calendar year 2025 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Payment Record..... The Bonds are the second issuance of bonded indebtedness by the District and the first issuance of unlimited tax road bonds secured by and payable from an unlimited ad valorem tax levied on the taxable property within the District. The

District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Municipal Bond

Rating and Insurance	S&P has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). An explanation of the rating may be obtained from S&P. See “MUNICIPAL BOND RATINGS,” “MUNICIPAL BOND INSURANCE,” and “MUNICIPAL BOND INSURANCE RISK FACTORS.”
Redemption Provisions.....	The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on September 1, 2031 or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”
Book-Entry-Only	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “THE BONDS – Book-Entry-Only System.”
Legal Opinions.....	Coats Rose, P.C., Houston, Texas Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Municipal Advisor	RBC Capital Markets, LLC, Houston, Texas.
Paying Agent	UMB Bank, N.A., Houston, Texas

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, INCLUDING PARTICULARLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

[the remainder of this page left blank intentionally]

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

January 1, 2025 Certified Taxable Assessed Valuation	\$47,431,743 ^(a)
July 1, 2025 Estimate of Assessed Valuation	\$63,422,104 ^(b)
Direct Debt:	
Outstanding Bonds.....	\$4,215,000
The Bonds.....	<u>3,750,000</u>
Total	\$7,965,000
Estimated Overlapping Debt.....	\$2,542,078
Direct and Estimated Overlapping Debt	<u>\$10,507,078</u>
Ratios of Direct Debt to:	
January 1, 2025 Certified Taxable Assessed Valuation.....	16.79%
July 1, 2025 Estimated Taxable Assessed Valuation.....	12.56%
Ratios of Direct Debt and Estimated Overlapping Debt to:	
January 1, 2025 Certified Taxable Assessed Valuation.....	22.15%
July 1, 2025 Estimated Taxable Assessed Valuation.....	16.57%
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$0.70
Maintenance and Operation.....	<u>0.75</u>
Total	\$1.45
Combined Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2050) (“MADS”)	\$580,875
Combined Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2026 – 2051).....	\$526,234
District tax rate required to pay Combined Average Annual Requirement based on the Bonds and the Outstanding Bonds	
Upon January 1, 2025 Certified Taxable Assessed Valuation at 95% collections.....	\$1.17
Upon July 1, 2025 Estimated Taxable Assessed Valuation at 95% collections.....	\$0.88
District tax rate required to pay Combined Maximum Annual Requirement based on the Bonds and the Outstanding Bonds	
Upon January 1, 2025 Certified Taxable Assessed Valuation at 95% collections.....	\$1.29
Upon July 1, 2025 Estimated Taxable Assessed Valuation at 95% collections.....	\$0.97
System Debt Service Fund Balance (as of September 4, 2025)	\$259,783 ^(c)
Road System Debt Service Fund Balance (as of Date of Delivery).....	\$186,394 ^(d)
General Operating Fund (as of September 4, 2025)	\$463,265
Capital Projects Fund (as of September 4, 2025)	\$166,749
Estimated District Population.....	756 ^(e)

- (a) Certified by the Harris Central Appraisal District (“HCAD”); represents the taxable assessed valuation of taxable assessed value property within the District as of January 1, 2025. See “TAXING PROCEDURES.”
- (b) Provided by HCAD for informational purposes only. Such amount reflects increases in value occurring between January 1, 2025, and July 1, 2025. No taxes will be levied against this amount until it is certified by HCAD. See “TAX PROCEDURES.”
- (c) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund (herein defined) are pledged only to pay the debt service on bonds issued by the District for the System and are not available to pay debt service on bonds issued by the District for the Road System.
- (d) Includes twelve (12) months of capitalized interest that will be deposited into the account on the Date of Delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for the Road System and are not available to pay debt service on bonds issued by the District for the System.
- (e) Estimated based on 3.5 residents per occupied single-family connection.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

\$3,750,000

**UNLIMITED TAX ROAD BONDS,
SERIES 2025**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 578 (the “District”) of its Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to (i) the Bond Order (“Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) Chapter 7914A of the Texas Special District Local Laws Code, (iii) the Constitution and general laws of the State of Texas (the “State”), particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) a bond election held in the District.

There follows in this Official Statement descriptions of the Bonds, the plan of financing, 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 the District, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of duplication costs. 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 certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and interest on the Bonds will accrue from November 12, 2025 (the “Date of Delivery”) and be payable March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on September 1 of the years and in the amounts shown under “PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “THE BONDS – Book-Entry-Only System.” Interest calculations are based upon a 360-day year comprised of twelve 30-day months.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC 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, 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC 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 each series of the Bonds, 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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).

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 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, District or Paying Agent/Registrar, 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 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 Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Effect of Termination of "Book-Entry Only" System

In the event that the "Book-Entry Only" System is discontinued by DTC or the use of the "Book-Entry Only" System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "THE BONDS – Registration, Transfer and Exchange" below. Discontinuance by the District of the DTC System of book-entry-only transfers may require the consent of DTC Participants under DTC Operational Arrangements.

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 the State, 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

The Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal corporate trust office of the Paying Agent/Registrar. A Bond may be transferred by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. The Bonds are exchangeable for an equal principal amount of Bonds of the same stated maturity upon presentation at the principal corporate trust office of the Paying Agent/Registrar. To the extent possible, new Bonds issued in exchange for or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in 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 or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal 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, within thirty (30) calendar days of the redemption date. No service charge will be made for any registration, transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Replacement of 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, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “THE BONDS – Book-Entry-Only System.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Mandatory Redemption:

The Bonds due on September 1, 2037, 2039, 2041, 2043, and 2045 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<u>Term Bond 2037 – \$245,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2036	\$120,000
2037 (maturity)	125,000
<u>Term Bond 2039 – \$275,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2038	\$135,000
2039 (maturity)	140,000
<u>Term Bond 2041 – \$305,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2040	\$150,000
2041 (maturity)	155,000
<u>Term Bond 2043 – \$335,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2042	\$165,000
2043 (maturity)	170,000
<u>Term Bond 2045 – \$370,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2044	\$180,000
2045 (maturity)	190,000

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

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

Sources of Payment

The Bonds are payable from the proceeds of a continuing, annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located with the District. See "TAXING PROCEDURES." In the Bond Order, the District covenants to levy a tax sufficient in amount to pay the principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will then be deposited in the District's Debt Service Fund and used solely to pay principal of and interest on the Bonds, and on any additional bonds payable from taxes which the District may hereafter issue. The Bonds are obligations solely of the District and are not obligations of Harris County, Texas, or any entity other than the District.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or portion of the District. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of the districts with which it is consolidating, as well as its liabilities (which would include the Bonds). The District has no current plans to exercise its right to consolidate. No representation is made concerning the likelihood that the District will ever consolidate its utility system with other systems.

Debt Service Fund

The Bond Order creates the District's debt service fund for payment of debt service on the Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Bonds and any additional 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 only for payment of such bonds. Amounts on deposit in the Road System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Bonds and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the Bonds, twelve (12) months of capitalized interest will be deposited into the Road System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Bonds and any additional bonds issued by the District for the Road System will also be deposited into the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Bonds and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the System, including the Outstanding Bonds or any additional bonds issued by the District for the System.

The District previously confirmed the District's debt service fund for payment of debt service on the Outstanding Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the System, or for the purpose of refunding such bonds (the "System Debt Service Fund"). The System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the System, including the Outstanding Bonds and any additional bonds issued by the District for the System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the System, including the Outstanding Bonds and any additional bonds issued by the District for the System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the System, including the Outstanding Bonds and any additional bonds issued by the District for the System will also be deposited into the System Debt Service Fund. Funds in the System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the System, including the Outstanding Bonds and any additional bonds issued by the District for the System and are not available to pay debt service on the bonds issued by the District for the Road System, including the Bonds or any additional bonds issued by the District for the Road System.

Authority for Issuance

At an election held within the District on November 2, 2021, the District voters authorized the issuance of (1) \$368,700,000 for the issuance of bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "System"), (2) \$75,800,000 for the issuance of bonds for the costs of parks and recreational facilities (the "Park System") and (3) \$179,800,000 for the purpose of construction of roads within the District (the "Road System"). The Bonds constitute the first issuance of bonds for the construction of the Road System from such authorization. After the issuance of the Bonds, \$176,050,000 principal amount of unlimited tax bonds for the Road System, \$364,485,000 principal amount of unlimited tax bonds for the System, and \$75,800,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued. The Bonds are issued pursuant to (i) the Bond Order adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) Chapter 7914A of the Texas Special District Local Laws Code, (iii) the Constitution and general laws of the State, particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) a bond election held in the District.

No Arbitrage

In the Bond Order and related documents the District certifies 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 certifies in its Bond Order 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.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District will have \$176,050,000 of remaining authority to issue additional principal amounts of unlimited tax bonds for the Road System from the November 2, 2021 election.

According to Edminster, Hinshaw, Russ & Associates, Inc. (the District’s “Engineer”), there are sufficient authorized but unissued bonds to serve the remaining approximately 290.609 undeveloped but developable acres within the District.

In addition to the above-mentioned bonds, the District has the right to issue such additional revenue bonds, and tax bonds and combination tax and revenue bonds as may be hereafter be approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided that the provisions of any such contract are approved by the voters of the District. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District. Issuance of additional bonds or debt payable from ad valorem taxes could dilute the security for the Bonds.

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) approval of the master plan and bonds by the Commission; and (3) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

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) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park plan and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

Registered Owners’ Remedies

Texas law and the Bond Order provide that, if the District defaults in the payment of the principal of or interest on any of the Bonds when due or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to any other rights the Registered Owners of the Bonds may be provided by the laws of the State.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner if the District defaults, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for acceleration of the maturities of the Bonds in the event of default. Consequently, the remedy of mandamus may have to be relied upon from year to year.

Under Texas law, no judgment obtained against the District may be enforced by direct levy and execution against the District's property. Further, the Registered Owners of the Bonds may not themselves foreclose on taxable property within the District to collect any unpaid taxes 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 laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, during the pendency of a bankruptcy proceeding the remedy for mandamus may not be available unless authorized by the bankruptcy judge. See "RISK FACTORS – Bondholders' Remedies."

Bankruptcy Limitation to Registered Owners' Rights

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. Under Texas law, the District must obtain the approval of the Commission prior to filing bankruptcy. The rights and remedies of the Registered Owners would be adjusted in accordance with the confirmed plan of adjustment of the District's debt. See "RISK FACTORS – Bondholders' Remedies."

Defeasance

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds, and the Bonds will be deemed to have been paid and no longer outstanding, when either (1) principal and interest due on the Bonds (whether at maturity, redemption or otherwise) shall have been paid or caused to have been paid in accordance with the terms of the Bonds; or (2) the District shall have deposited with the Paying Agent/Registrar or a successor registrar moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay interest or redemption price to maturity or to the date fixed for redemption of the Bonds. Upon such deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full the amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

Amendments to the Bond Order

The District may, without the consent of or notice to any Bondholder, amend the Bond Order in any manner not detrimental to the interests of the Bondholder, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Bondholders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

RISK FACTORS

General

The Bonds are solely obligations of the District and are not obligations of the State, the County, the City or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitations as to rate or amount, on all taxable property within the District and, equally and ratably with any future parity bonds. The investment quality of the Bonds depends both on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential for an increase in taxable valuation of District property is directly related to the economics of the residential housing and commercial real estate industries, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be a costly and lengthy processes. See "Tax Collections" and "Bondowners' Remedies and Bankruptcy" below and "THE BONDS – Sources of Payments."

Factors Affecting Taxable Values and Tax Payments

Dependence on Principal Property Owners: 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 Property Owners," in 2025, the District's Principal Property Owners owned property located within the District which comprised approximately 29.3% of the District's 2025 Certified Taxable Assessed Valuation. In the event that any 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 debt service fund. See "TAX DATA – Principal Property Owners" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Location and Access: The District is located approximately 20 miles northeast from the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “STATUS OF DEVELOPMENT.”

Maximum Impact on District Tax Rates: Assuming no further construction of homes and other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2025 Certified Taxable Assessed Valuation of property within the District is \$47,431,743. The July 1, 2025 Estimate of Assessed Valuation of property within the District is \$63,422,104. After issuance of the Bonds, the Maximum Combined Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$580,875 (2050) and the Combined Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$526,234 (2026 through 2051). Assuming no increase to or decrease from the 2025 Certified Taxable Assessed Valuation, and no use of other legally available District funds, tax rates of \$1.29 and \$1.17 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Combined Maximum Annual Debt Service Requirement and the Combined Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, respectively. Assuming no increase to or decrease from the July 1, 2025 Estimate of Taxable Assessed Valuation, and no use of other legally available District funds, tax rates of \$0.97 and \$0.88 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Combined Maximum Annual Debt Service Requirement and the Combined Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, respectively. See “TAX DATA – Tax Rate Calculations.”

Cybersecurity: The District and their consultants are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

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.

Extreme Weather Events: The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

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

Specific Flood Type Risks

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 overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or 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 (canals or channels) downstream.

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.

National Weather Service Atlas 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.

Tax Collection Limitations

The District's ability to make debt service payments on the Bonds may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Because ownership of the land within the District is highly fragmented among a large number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year or otherwise to make such payments. (See "THE BONDS – Registered Owners' Remedies"). Except for mandamus, the Bond Order does not 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 of 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 by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if (1) it is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, special districts such as the District also must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Future Debt

The District reserves the right in the Bond Order to issue the remaining (1) \$364,485,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, (2) \$75,800,000 in principal amount of unlimited tax bonds for the issuance of bonds for the Park System and (3) \$176,050,000 in principal amount for the purpose of construction of the Road System. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District makes no representation that any additional development will occur within the District. See "THE BONDS."

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market.

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 by 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 "LEGAL MATTERS."

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 has not passed upon or guaranteed the security of the Bonds as an investment, nor have the foregoing authorities passed upon 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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session which began on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025 and concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special session, and no third special session has been called at this time. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

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.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District’s drainage system has been designed and constructed to all current applicable standards of all governmental entities with jurisdiction over the project. See “THE SYSTEM – Flood Protection and Drainage Facilities” for a discussion regarding expected changes to floodplain boundaries.

[the remainder of this page left blank intentionally]

SOURCES AND USES OF FUNDS

A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the construction costs outlined below. In addition, a portion of the proceeds from the Bonds will be used to finance twelve (12) months of capitalized interest, and to pay developer interest, bond issuance expenses, and certain other costs associated with the issuance of the Bonds.

The use and distribution of the proceeds from the sale of the Bonds, as approved by the Commission, is set forth below.

CONSTRUCTION COSTS	District's Share
A. Developer Contribution Items	
1. C&G for Preserve at Newport Southwest, Phase 1	
a. Clearing & Grubbing	\$21,014
b. Miscellaneous Items	2,210
2. Preserve at Newport Section 1	
a. Paving	729,985
b. Paving Miscellaneous Items	45,640
3. Preserve at Newport, Section 1	19,100
4. Preserve at Newport, Section 2	
a. Paving	468,957
b. Paving Miscellaneous Items	27,851
c. Paving Alternate Items No. 1	49,521
5. East Lake Houston Parkway & Foley Road Improvements	
a. Excavation, Paving and Grading - East Lake Houston Parkway	673,423
b. Excavation, Paving and Grading - Foley Road Improvements	216,792
c. Storm Water Pollution Prevention Plan	1,778
d. Certificates of Insurance and Performance, Payment and Maintenance Bonds	14,659
e. Construction Permits	3,275
f. Construction Staking	13,770
g. Post Construction Topographic Verification and As-Builts	6,885
6. Engineering & Geotechnical Materials Testing	
a. Preserve at Newport, Section 1	103,106
b. Preserve at Newport, Section 2	120,822
c. East Lake Houston Parkway	103,063
7. Land Acquisition	
a. Preserve at Newport, Section 1	91,137
b. Preserve at Newport, Section 2	110,013
c. East Lake Houston Parkway	71,985
Total Developer Contribution Items	<u>\$2,894,986</u>
NET CONSTRUCTION COSTS	<u>\$2,894,986</u>
NON-CONSTRUCTION COSTS	
A. Legal Fees	\$108,750
B. Fiscal Agent Fees	46,875
C. Engineering Fees	25,000
D. Interest Costs	
1. Capitalized Interest	186,394
2. Developer Interest	319,239
E. Bond Discount	112,500
F. Bond Issuance Expenses	46,712
G. Attorney General Fee	3,750
I. Contingency	5,794
TOTAL NON-CONSTRUCTION COSTS	<u>\$855,014</u>
TOTAL BOND ISSUE REQUIREMENTS	<u>\$3,750,000</u>

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Municipal Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE DISTRICT

Authority

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State and the general laws of the State pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, the Bond Order adopted by the Board, a bond election held in the District.

Location

The District is combined of two (2) subdivisions that are non-contiguous. Preserve at Newport (143.34 acres) and Synova (336.93 acres) location descriptions are as follows. Preserve at Newport is located approximately 20 miles northeast of the central downtown business district of the City and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Crosby Independent School District. Preserve at Newport is bounded on the north by South Diamondhead Boulevard, on the east by Cuddy Drive, and the west by San Jacinto River. Preserve at Newport can be accessed from Interstate 10 east, by exiting to US-90 east, exiting to go west on Krenek Road and north on FM 2100, going west on South Diamondhead Boulevard to the main entrance to Preserve at Newport, South Diamondhead Boulevard. Main thoroughfares in Preserve at Newport include South Diamondhead Boulevard. Synova is bounded on the north by Foley Road and on the east by Noyce Road. Synova can be accessed from Interstate 10 east, by existing to US-90 east, existing to go west on Krenek Road and north on FM 2100, going east on Foley Road to the main entrance to Synova, East Lake Houston Parkway. Main thoroughfares in Synova include East Lake Houston Parkway.

THE DEVELOPER

Role of a Developer

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

The Developer

Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company ("Lennar" or "Developer"), has developed approximately 57.5 acres within the District as the first two sections of the Preserve at Newport, which consists of 182 single-family lots. Lennar is developing 435 single-family lots in Section 1-5 at Synova.

Rampart Holdings, LLC (“Rampart”) owns approximately 26.293 acres in the District. Rochester Development Company, LLC (“Rochester”) owns approximately 9.457 acres in the District.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar. However, Lennar is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar is subject to change at any time. Because of the foregoing, financial information concerning the Developer and Lennar will neither be updated nor provided following issuance of the Bonds, except as described herein under “CONTINUING DISCLOSURE OF INFORMATION.”

DEVELOPMENT WITHIN THE DISTRICT

The District currently encompasses approximately 480.27 acres total, 143.34 acres of Newport Preserve and 336.93 acres of Synova, of which 39.56 acres consist of detention, drainage or easements, 38.22 acres consist of parks, recreational, and open spaces. The District contains approximately 290.61 developable acres not currently served with utility facilities. As of September 22, 2025, there were 182 platted lots in Preserve at Newport, 182 of which were completed and occupied homes. As of September 22, 2025, there were 435 platted lots in Synova, 2 completed and occupied homes, 142 homes under construction, and 291 vacant lots.

Future Development within District

The District contains approximately 290.61 developable acres remaining to be developed with utility facilities as of September 22, 2025, and 39.56 undevelopable acres. Such acreage is owned by multiple parties. The District makes no representation as to when or if such acreage will be developed or if any future development will be consistent with the type of development the District presently contains.

As of May 15, 2024, TPG AG EHC III (LEN) Multi State 1, LLC, a Delaware limited liability company, owns approximately 172 acres within Synova and the Developer has an exclusive option to purchase the 172-acre tract from TPG AG EHC III (LEN) Multi State 1, LLC (the “Land Banker”) for development of Synova, Phase 1. The current lot plan for Phase 1 includes 565 lots. As of August 1, 2024, JEN HOLDCO 24 LLC, A Delaware limited liability company owns the remaining 164 acres of the Annexation Tract and the Developer has an exclusive option to purchase the 164-acre tract of Synova, Phase 2 from JEN HOLDCO 24 LLC (the “Land Banker”). The current lot plan for Phase 2 is 680 lots.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, 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.

[the remainder of this page left blank intentionally]

Status of Development

The following chart more completely describes the status of residential development within the District as of September 22, 2025

Section	Acreage	Platted Lots	To Be Platted Lots	Completed, Occupied Homes	Homes Under Construction	Vacant Lots
Preserve at Newport, Section 1	12.932	77	-	77	-	-
Preserve at Newport, Section 2	17.707	105	-	105	-	-
Remaining Developable Acreage	290.609	-	-	-	-	-
Detention / Drainage / Easements	39.560	-	-	-	-	-
Parks and recreational and open spaces	38.220	-	-	-	-	-
Synova, Section 1	17.912	99	-	2	69	28
Synova, Section 2	23.748	112	-	-	41	71
Synova, Section 3	20.464	104	-	-	32	72
Synova, Section 5	19.119	120	-	-	0	120
Total	480.270	617	-	184	142	291

Homebuilders

Recently completed homes within the District have been constructed by Lennar, which is building homes in the District with an average sales price of \$220,000.

Management of the District

The District is governed by the Board, which has management control over all affairs of the District. Directors are elected to serve four-year staggered terms at elections held on the second Saturday in May of each even-numbered year. The current members and officers of the Board, all of whom own property within the District are identified as follows:

Name	Title	Term Expires
Sam Cocke	President	May 2028
Terry Sue O’Kelley	Vice President	May 2026
Lauren Brigrance	Secretary	May 2028
Alissa Payne	Assistant Secretary	May 2026
Christopher G. Townsend	Assistant Secretary	May 2026

The District does not have a general manager or any other full-time employees, but contracts for certain necessary services as follows:

The System Operator – Si Environmental, LLC has been engaged by the District as the District’s Operator.

Tax Assessor/Collector – The District’s Tax Assessor/Collector is B&A Municipal Tax Services, LLC (the “District’s Tax Assessor/Collector”). The District’s Tax Assessor/Collector applies the District’s tax levy to the tax roll prepared by the Harris Central Appraisal District and bills and collects such levy.

Bookkeeper – The District’s Bookkeeper is L & S District Services LLC.

Engineer – The District’s consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the “District’s Engineer”).

Auditor – The financial statements of the District as of May 31, 2025, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s most recent audited financial statements.

Bond Counsel and General Counsel – Coats Rose, P.C. (“Bond Counsel”) serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP (“Disclosure Counsel”) serves as 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 upon the sale and delivery of the Bonds.

Municipal Advisor – The District has engaged RBC Capital Markets, LLC (RBCCM) as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal 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 Municipal 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.

THE SYSTEM

General

According to the District’s Engineer, the System has been designed in conformance with accepted engineering practices and in accordance with the criteria of various governmental agencies having regulatory supervisory jurisdiction over the construction and operation of such facilities, including, among others, City of Houston, Harris County, and the Commission. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. According to the District’s Engineer, all such facilities constructed to date have been approved by all required governmental agencies.

Description

The water, wastewater and drainage facilities which were constructed on behalf of the District are described below, based upon information obtained from the District’s Engineer. The District consists of two (2) subdivisions that are non-contiguous, Preserve at Newport (143.34 acres) and Synova (336.93 acres). The water supply system and wastewater treatment facilities that service each subdivision are as follows.

Source of Water Supply System: Preserve at Newport’s water supply for the District is provided by Newport Municipal Utility District (“Newport MUD”) pursuant to the Water Supply and Groundwater Reduction Agreement by and between the District and Newport MUD (the “Water Supply Agreement”). Newport MUD has committed to provide the District with its ultimate requirements of 350 ESFCs to be purchased in phases for water supply, as needed and when required by the District. Newport MUD water system produces potable water, through a combination of groundwater withdrawn through water wells and surface water produced at a Newport MUD owned and operated surface water production facility. The Newport MUD water system produces sufficient potable water and sufficient groundwater credits to allow for the direct sale of potable water and groundwater credits to other entities.

Synova’s water supply for the District is provided by Water Supply and Storage Facility Phase 1. The plant is owned, managed and operated by the District. The District’s water wells are permitted by the Harris-Galveston Subsidence District. The water plant consists of one (1) water well providing 770 gallons per minute (“gpm”); one 247,000 gallon ground storage tank, one (1) 15,000 gallon hydro-pneumatic tanks; and three (3) booster pumps providing 1,950 gpm of total capacity. The water plant is currently being constructed and will have the capacity to serve a total of 750 equivalent single-family connection (“ESFCs”) in the District.

Ground Water: Newport MUD’s potable ground water is drawn from its two (2) water wells, located at Water Plant No. 1 (well capacity 1,800 gpm) and Water Plant No. 2 (1,000 gpm). These wells are permitted by the Harris Galveston Subsidence District under Permit No. WP2023-118259 for wells nos. 1792 and 3232 respectively with a total annual withdrawal limit of 280.0 million gallons.

Synova’s potable ground water is drawn from one (1) water well, located at Water Supply and Storage Facility Phase 1 (well capacity 770 gpm). The well is permitted by Harris Galveston Subsidence District under Permit No. WP2025-109059 for well no. 16371 with a total annual withdrawal limit of 10.0 million gallons.

Surface Water: Newport MUD's potable surface water is produced by its Surface Water Treatment Plant. The design capacity of the plant is 1,700 gpm (2.4 mgd). Untreated raw water is drawn from a canal operated by the San Jacinto River Authority (SJRA) which transports water from Lake Houston to several customers in the area. By contract, Newport MUD has a right to take 1,850,000 gallons per day of raw untreated surface water, with the added ability to take up to 130% of that amount if supplies are available.

The District has constructed an off-site transmission main to the point of connections with Newport MUD with the construction of its water distribution system within its boundaries. The two (2) interconnects are located at the intersection of Sea Palms Drive and Diamondhead Boulevard South, and the intersection of Sahara Drive and Diamondhead Boulevard South. The Developer on behalf of the District has made an initial capital contribution to Newport's water facilities in the amount of \$1,262 per ESFC for water for 185 ESFCs for phase 1 development in the District. Rochester has purchased 124 connections in the amount of \$1,262 per ESFC for water under the agreement.

The District is within the Harris Galveston Subsidence District which regulates groundwater withdrawal. Because the District is served by Newport MUD with water, the District has no potable water wells subject to regulation by the Subsidence District.

Wastewater Treatment Facilities: Preserve at Newport's wastewater treatment for the District is provided by Newport MUD pursuant to the Wastewater Treatment Agreement by and between Newport MUD and Harris County MUD No. 578. Newport MUD has committed to provide up to 350 ESFCs to be purchased in phases for wastewater treatment services for the development of the District.

Newport MUD owns and operates a single permanent wastewater treatment plant (WWTP). The plant is permitted for an average daily flow of 1,300,000 gallons per day. The WWTP has experienced an average daily flow, including waste from water production, of approximately 0.95 MGD (Million Gallons per Day) over the past three and a half years. The average daily flow in 2023 through August is 1.01 MGD.

Synova's wastewater treatment for the District is provided by Wastewater Treatment Plant Phase 1. The plant is currently permitted in two (2) phases for an average daily flow of 0.195 Million Gallons per Day (MGD) in phase one and an ultimate phase two capacity of 0.39 MGD. A major amendment is in progress to increase the ultimate capacity to 0.66 MGD in three phases. The plant is in construction and will have an estimated daily flow of 0.195 Million Gallons per Day. The capacity is estimated to serve 650 ESFCs and ultimately 2,200 ESFCs with the approval of the major amendment.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities: The District constructs, owns, and operates its own internal water distribution, wastewater collection, and storm water drainage facilities as necessary to promote the development of the District. The construction of these facilities occurs in phases to serve areas of development as they occur. Internal water distribution, wastewater collection and storm drainage facilities have been constructed to serve 182 single-family residential lots in Preserve at Newport and 435 single-family residential lots in Synova.

THE ROAD SYSTEM

A portion of the proceeds of Bonds will be used to finance the road system (the "Roads") which serves the residents of the District by providing roads and thoroughfares within the District and the surrounding area. Upon completion, the District intends that the Roads are or will be accepted by Harris County for operation and maintenance in accordance with the procedure of Harris County. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

[the remainder of this page left blank intentionally]

OPERATING HISTORY

The following summary of the District's General Fund has been prepared by the Municipal Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ending May 31, 2023 (the first year the District contracted an audit firm), May 31, 2024 and May 31, 2025. It is not intended to present the results of operations of the entire District in accordance with generally accepted accounting principles.

	Fiscal Year Ended May 31		
	2025	2024	2023
Revenues			
Property Taxes	\$278,859	\$112,846	\$11,214
Water Service	145,114	103,333	23,845
Sewer Service	139,881	102,584	15,431
Surface Water Fees	8,033	8,933	1,619
Penalty & Interest	9,334	18,782	2,370
Tap Fees	179,300	137,300	295,000
Interest Income	16,119	5,801	395
Other Income	0	4,375	2,150
Total	\$776,640	\$493,954	\$352,024
Expenditures			
Purchased Services	\$243,795	\$273,716	\$52,733
Professional Fees	118,735	113,271	40,984
Contracted Services	22,238	25,898	16,214
Repairs & Maintenance	176,440	112,376	83,364
Other Operating Expenditures	1,092	15,317	0
Garbage Disposal	40,162	23,437	600
Administrative Expenditures	17,214	14,546	5,975
Capital Outlay / Non-capital Outlay	96,100	93,008	181,939
Total	\$715,776	\$671,569	\$381,809
Excess Revenues			
(Expenditures)	60,864	(177,615)	(29,785)
Other Financing Sources			
Developer Advances	60,000	0	269,000
Reimbursement to (from) other fund	(23,782)		
Net Change in Fund Balances	97,082	(177,615)	239,215
Fund Balance			
Beginning of Year	47,197	224,812	(14,403)
Fund Balance			
Year End	\$144,279	\$47,197	\$224,812

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised by taxation against all or a portion of the taxable property located within the District.

Direct Debt

January 1, 2025 Certified Taxable Assessed Valuation	\$47,431,743 ^(a)
July 1, 2025 Estimate of Assessed Valuation.....	\$63,422,104 ^(b)
Direct Debt:	
Outstanding Bonds	\$4,215,000
The Bonds.....	<u>3,750,00</u>
Total	\$7,965,000
Estimated Overlapping Debt.....	\$2,542,078
Direct and Estimated Overlapping Debt.....	<u>\$10,507,078</u>
System Debt Service Fund Balance (as of September 4, 2025).....	\$259,783 ^(c)
Road System Debt Service Fund Balance (as of Date of Delivery)	\$186,394 ^(d)
General Operating Fund (as of September 4, 2025).....	\$463,265
Capital Projects Fund (as of September 4, 2025)	\$166,749
Ratios of Direct Debt to:	
January 1, 2025 Certified Taxable Assessed Valuation	16.79%
July 1, 2025 Estimated Taxable Assessed Valuation	12.56%
Ratios of Direct Debt and Estimated Overlapping Debt to:	
January 1, 2025 Certified Taxable Assessed Valuation	22.15%
July 1, 2025 Estimated Taxable Assessed Valuation	16.56%
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.70
Maintenance and Operation	<u>0.75</u>
Total	\$1.45

- (a) Certified by the Harris Central Appraisal District ("HCAD"); represents the taxable assessed valuation of taxable assessed value property within the District as of January 1, 2025. See "TAXING PROCEDURES."
- (b) Provided by HCAD for informational purposes only. Such amount reflects increases in value occurring between January 1, 2025, and July 1, 2025. No taxes will be levied against this amount until it is certified by HCAD. See "TAX PROCEDURES."
- (c) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund (herein defined) are pledged only to pay the debt service on bonds issued by the District for the System and are not available to pay debt service on bonds issued by the District for the Road System.
- (d) Includes twelve (12) months of capitalized interest that will be deposited into the account on the Date of Delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund (herein defined) are pledged only to pay the debt service on bonds issued by the District for the Road System and are not available to pay debt service on bonds issued by the District for the System.

Authorized but Unissued Bonds

Date of Authorization	Purpose	Authorized	Issued To Date ^(a)	Amount Unissued
11/02/2021	Water, Wastewater, Drainage	\$368,700,000	\$4,215,000	\$364,485,000
11/02/2021	Park and Recreational	75,800,000	0	75,800,000
11/02/2021	Roads	179,800,000	3,750,000	176,050,000

- (a) Includes the Bonds and the Outstanding Bonds. Anticipated Date of Delivery and outstanding debt following anticipated delivery.

Outstanding Bonds

Date of Issue	Series	Original Amount	Outstanding
09/05/2024	2024	\$4,215,000	\$4,215,000
10/02/2025	2025	\$3,750,000	\$3,750,000 ^(a)
		<u>\$7,965,000</u>	<u>\$7,965,000</u>

(a) The Bonds. Anticipated Date of Delivery and outstanding debt following anticipated delivery.

Estimated Direct and 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, unless otherwise indicated, from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amounts 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 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 Body ^(a)	Direct Debt	As of	Percent Overlapping Direct Debt	Overlapping Direct Debt
Crosby ISD	\$176,140,000	07/31/2025	1.180%	\$2,078,452
Harris County	2,424,019,039	07/31/2025	0.010%	234,784
Harris County Flood Control	968,445,000	07/31/2025	0.010%	95,779
Port of Houston Authority	406,509,397	07/31/2025	0.010%	39,791
Harris County Hospital District	867,820,000	07/31/2025	0.010%	90,513
Harris County Education Dept.	28,960,000	07/31/2025	0.010%	2,759
Total Overlapping Debt:				<u>\$2,542,078</u>
The District: ^(b)				\$7,965,000
Total Direct and Overlapping Debt: ^(b)				\$10,507,078
Total Direct and Overlapping Debt as a percentage of the July 1, 2025 Estimate of Taxable Assessed Valuation:				16.57%

(a) Taxing jurisdictions with outstanding debt.

(b) Includes the Bonds and the Outstanding Bonds.

Cash and Investment Balances (Unaudited)

General Operating Fund (as of September 4, 2025)	Cash and Temporary Investments	\$463,265
System Debt Service Fund (as of September 4, 2025)	Cash and Temporary Investments	\$259,783 ^(a)
Road System Debt Service Fund (as of Date of Delivery)	Cash and Temporary Investments	\$186,394 ^(b)
Capital Projects Fund (as of September 4, 2025)	Cash and Temporary Investments	\$166,749

(a) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund (herein defined) are pledged only to pay the debt service on bonds issued by the District for the System and are not available to pay debt service on bonds issued by the District for the Road System.

(b) Includes twelve (12) months of capitalized interest that will be deposited into the account on the Date of Delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund (herein defined) are pledged only to pay the debt service on bonds issued by the District for the Road System and are not available to pay debt service on bonds issued by the District for the System.

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Investment in U.S. Government Obligations, bank Certificates of Deposit and money market funds are generally representative of the District's investment practices. State law requires the District to report its investments each calendar quarter and upon the conclusion of each fiscal year. The District is required by state law to mark its investments to market price in these reports for the purpose of compliance with applicable accounting principles concerning the contents of the District's audited financial statements.

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT – Estimated Direct and 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.

Overlapping Entity	2024 Tax Rate per \$100 AV
Crosby ISD	\$1.235200
Harris County	0.385290
Harris County Flood Control	0.048970
Port of Houston Authority	0.006150
Harris County Hospital District	0.163480
Harris County Education Dept.	0.004799
Harris County ESD 80	0.050000
Harris County ESD 5	0.030000
The District	1.450000
Total	\$3.373889

TAX DATA

Debt Service Tax

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 Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The District covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax sufficient (together with any other legally available monies) to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Maintenance Tax

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 a vote of the District's electorate. The Board of Directors levied a maintenance tax rate of \$0.750 per \$100 of assessed valuation for the 2024 tax year. See "THE SYSTEM – Operating History."

Tax Rate Distribution

The following is a breakdown by the tax year, of the tax rate levied by the District for the 2022 – 2025 tax years.

	2025	2024	2023	2022
Debt Service Fund	\$0.700	\$0.700	\$0.000	\$0.000
Maintenance & Operation	0.750	0.750	1.450	1.450
Total	\$1.450	\$1.450	\$1.450	\$1.450

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet the District's total debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2025 Assessed Valuation and the Estimate of Value as of July 1, 2025. The calculations also assume collection of 95% of taxes levied and no available debt service funds are reflected in these computations.

Combined Average Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2026 – 2051)	\$526,234
Tax Rate of \$1.17 on the 2025 Certified Taxable Assessed Valuation produces.....	\$527,204
Tax Rate of \$0.88 on the July 1, 2025 Estimated Taxable Assessed Valuation produces.....	\$530,209

Combined Maximum Debt Service Requirement on the Bonds and Outstanding Bonds (2050).....	\$580,875
Tax Rate of \$1.29 on the 2025 Certified Taxable Assessed Valuation produces.....	\$581,276
Tax Rate of \$0.97 on the July 1, 2025 Estimated Taxable Assessed Valuation produces.....	\$584,435

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the 2025 - 2023 tax year.

	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation
Land	\$17,573,663	\$8,083,877	\$6,560,166
Improvements	33,990,081	36,829,845	3,967,907
Personal Property	86,549	65,140	23,866
	<u>\$51,650,293</u>	<u>\$44,978,862</u>	<u>\$10,551,939</u>
Exemptions	<u>(4,218,550)</u>	<u>(4,598,017)</u>	<u>(2,749,363)</u>
Total	\$47,431,743	\$40,380,845	\$7,802,576

[the remainder of this page left blank intentionally]

Historical Tax Collections

The following statement of tax collections set forth in condensed form reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District's audited financial statements and records of the District's tax assessor/collector. Reference is made to such audited financial statements and records for further and complete information.

Tax Year	Assessed Valuation	Tax Rate ^(a)	Estimated Levy	Collections as of Tax Year End		Collections Through August 31, 2025	
				Amount	%	Amount	%
2022	\$773,382	\$1.45	\$11,214	\$11,214	100.00%	\$11,214	100.00%
2023	7,802,576	1.45	113,138	\$113,138	100.00%	113,138	100.00%
2024	40,380,845	1.45	585,522	(b)	(b)	541,013	92.40%

(a) Represents the District's levy of a maintenance and operation tax for the applicable year.

(b) In process of collection.

Principal Property Owners

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2025.

Taxpayer	Property Type	2025	% of 2025 Assessed Value ^(b)
TPG AG EHC II (LEN) MULTI STATE I LLC	Residential Land	\$9,037,153	19.1%
SFR Fund VI Borrower LLC	Residential Land	1,114,389	2.3%
Newport 26 Park LLC	Residential Land	687,194	1.4%
Lennar Homes of Texas ^(a)	Developer	593,300	1.3%
Homeowner	Homeowner	532,899	1.1%
Homeowner	Homeowner	472,332	1.0%
Homeowner	Homeowner	458,324	1.0%
Homeowner	Homeowner	454,205	1.0%
Homeowner	Homeowner	276,356	0.6%
Homeowner	Homeowner	274,813	0.6%
Total		\$13,900,965	29.3%

(a) Developer within the District. See "THE DEVELOPER."

(b) The calculation of the percent of principal taxpayers is based upon the 2025 Taxable Assessed Valuation provided by Harris Central Appraisal District.

[the remainder of this page left blank intentionally]

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds, as well as the principal and interest requirements on the Bonds.

Year End 12/31	Outstanding Debt Service	The Bonds				Total
		Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	
2026	\$275,487.50	\$0.00	\$56,435.89	\$93,196.88	\$149,632.77	\$425,120.27
2027	269,537.50	80,000.00	93,196.88	93,196.88	266,393.76	535,931.26
2028	268,587.50	80,000.00	90,396.88	90,396.88	260,793.76	529,381.26
2029	267,287.50	85,000.00	87,596.88	87,596.88	260,193.76	527,481.26
2030	265,637.50	90,000.00	84,621.88	84,621.88	259,243.76	524,881.26
2031	263,637.50	95,000.00	81,471.88	81,471.88	257,943.76	521,581.26
2032	269,437.50	100,000.00	78,146.88	78,146.88	256,293.76	525,731.26
2033	269,837.50	105,000.00	74,646.88	74,646.88	254,293.76	524,131.26
2034	270,037.50	110,000.00	70,971.88	70,971.88	251,943.76	521,981.26
2035	275,037.50	115,000.00	67,259.38	67,259.38	249,518.76	524,556.26
2036	274,300.00	120,000.00	64,959.38	64,959.38	249,918.76	524,218.76
2037	278,350.00	125,000.00	62,559.38	62,559.38	250,118.76	528,468.76
2038	276,975.00	135,000.00	60,059.38	60,059.38	255,118.76	532,093.76
2039	280,387.50	140,000.00	57,190.63	57,190.63	254,381.26	534,768.76
2040	283,375.00	150,000.00	54,215.63	54,215.63	258,431.26	541,806.26
2041	285,937.50	155,000.00	50,934.38	50,934.38	256,868.76	542,806.26
2042	288,075.00	165,000.00	47,543.75	47,543.75	260,087.50	548,162.50
2043	289,787.50	170,000.00	43,831.25	43,831.25	257,662.50	547,450.00
2044	291,075.00	180,000.00	40,006.25	40,006.25	260,012.50	551,087.50
2045	296,937.50	190,000.00	35,843.75	35,843.75	261,687.50	558,625.00
2046	297,162.50	200,000.00	31,450.00	31,450.00	262,900.00	560,062.50
2047	301,962.50	210,000.00	26,825.00	26,825.00	263,650.00	565,612.50
2048	306,125.00	220,000.00	21,968.75	21,968.75	263,937.50	570,062.50
2049	304,650.00	230,000.00	16,881.25	16,881.25	263,762.50	568,412.50
2050	312,750.00	245,000.00	11,562.50	11,562.50	268,125.00	580,875.00
2051	0.00	255,000.00	5,896.88	5,896.88	266,793.76	266,793.76
	\$7,062,375.00	\$3,750,000.00	\$1,416,473.47	\$1,453,234.46	\$6,619,707.93	\$13,682,082.93

Combined Maximum Annual Debt Service Requirement (2050) (“MADS”)..... \$580,875
 Combined Average Annual Debt Service Requirement (2026 – 2051)..... \$526,234

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

Under Texas law, including the Texas Property Tax Code (the “Property Tax Code”), there is established in each county in the State a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. By May 15 of each year, or as soon thereafter as is practicable, the appraisal district is required to prepare appraisal records of property to be appraised as of January 1 of each year. The Property Tax Code generally requires appraisals at 100% of market value. Property tax appraisals in the District are subject to review by the Harris County Appraisal Review Board (the “Appraisal Review Board”). Taxpayers and, under certain circumstances, taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in state district court. Such review or appeals may delay the certification of taxable values and hence delay the levy and collection of taxes by the District. In the event of such an appeal, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll prepared by the Harris Central Appraisal District (“HCAD”) and approved by the Appraisal Review Board must be used by each taxing jurisdiction within Harris County to establish its tax rolls and tax rate.

Although the District is responsible for establishing tax rates and levying and collecting its taxes each year, under the system of county-wide tax appraisal implemented by the Property Tax Code, the District cannot establish appraisal standards or determine the frequency of revaluation or reappraisal. The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraised values, and the plan must provide for reappraisal of all real property in the appraisal district at least once every three years. Effective January 1, 1990, the District became eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of HCAD.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, 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 or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable, youth development, religious, veterans, fraternal or educational organizations; non-profit cemeteries; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. 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, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action, or fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemption: Texas law authorizes the governing body of each political subdivision in the State 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. The law provides, however, that 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 residential homestead exemption.

Goods-In-Transit: Goods-in-transit are tangible personal property that is acquired in or imported into the State to be forwarded to another location in the State or outside the State that is detained at a location in the State for 175 days or less at a site not owned by the owner of the goods-in-transit, not including oil, natural gas, petroleum products, aircraft, a dealer's motor vehicle inventory, a dealer's vessel and outboard motor inventory, a dealer's heavy equipment inventory, or retail manufactured housing inventory. Goods-in-transit are exempt from taxation unless the governing body of a taxing unit provides for taxation for goods-in-transit. The District has taken no official action to tax goods-in-transit.

Tax Abatement

The City of Houston, Texas (the "City"), or Harris County, Texas (the "County"), as appropriate, under Chapter 312, Texas Tax Code may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City or the County 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 City and the County have 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 Districts 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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property 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 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for 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 and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal Districts 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 Districts at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts 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 Districts choose formally to include such values on its appraisal rolls.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal Districts are 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. After the 2024 tax year, through December 31, 2026, the Maximum Property Value 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. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

Before September 1 of each year, or as soon thereafter as practicable, the rate of taxation for the District is set by the Board of Directors based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1 or when billed, whichever occurs later, and become delinquent after January 31 of the following year or on the first day of the calendar month next following the expiration of 21 days after mailing of the tax bills, whichever occurs later. A delinquent tax incurs an initial penalty of six percent of the amount of the tax and accrues an additional penalty of one percent per month up to July 1, at which time the total penalty becomes 12%. In addition, delinquent taxes accrue interest at one percent per month. If the tax is not paid by July 1, an additional penalty of up to 15% may be imposed by the District under certain circumstances to defray the legal costs to collect delinquent taxes. The District must waive penalties and may waive interest on delinquent taxes if an error or omission of a representative of the District, including HCAD, caused the failure of the taxpayer to pay taxes. The Property Tax Code also provides for split payments of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances. To date, the District has not allowed split payments or discounts.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. For the 2025 tax year, the Board designated the District as a Developing District. 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.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are levied. On January 1 of each year, a tax lien attaches to property in the District 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 tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property 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. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owned to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under conservatorship or receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are 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. The District will also furnish the approving legal opinion of Coats Rose, P.C., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Opinion" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Coats Rose, P.C. has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "THE DISTRICT – General," "MANAGEMENT – Legal Counsel," "TAXING PROCEDURES," "LEGAL MATTERS," "CONTINUING DISCLOSURE OF INFORMATION," and "TAX MATTERS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an

assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

No Material Adverse Change

The obligation 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, 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, 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 Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds may be excludable in certain corporations "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order 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.

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, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

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.

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 Bondholders may have no right to participate in such procedure.

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.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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 individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty percent (20%) as a “financial institution preference item.”

The District designated the Bonds as “qualified tax-exempt obligations.” Furthermore, the District has represented that it has or will take such action as is necessary for the Bonds to constitute “qualified tax-exempt obligations.” Notwithstanding the designation of the Bonds as “qualified tax-exempt obligations,” financial institutions acquiring the Bonds will be subject to a 20% disallowance of interest expense allocable to the Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be 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 accrued period or be in excess of one year (the “Original Issue Discount Bonds”). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “Opinion” herein for a discussion of certain collateral federal tax consequences.

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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH 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.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the Initial Purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such Initial Purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an Initial Purchaser is determined by using such purchaser’s yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

NO-LITIGATION

As a condition to delivery of the Bonds, the District will furnish a certificate executed by the President and Secretary of the District that no litigation is pending or, to the best of their knowledge, threatened, either in state or federal courts, of which the District has received notice contesting or attacking the Bonds; restraining or enjoying the levy, assessment, and collection of ad valorem taxes, or in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers and directors of the District.

MUNICIPAL ADVISOR

RBC Capital Markets, LLC (“RBC CM”) is employed as Municipal Advisor to District in connection with the issuance of the Bonds. The Municipal 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 Municipal 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.

[the remainder of this page left blank intentionally]

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events and material events, to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) or any successor to its functions as a repository through the MSRB’s system. This information will be publicly available on the MSRB’s website at www.emma.msrb.org.

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB via EMMA.

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 heading titled “DISTRICT DEBT,” “TAX DATA” and in “APPENDIX A – Independent Auditor’s Report and Financial Statements of the District”. The District will update and provide this information to EMMA within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents on the EMMA system, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if such audit is completed by the required time. If audited financial statements are not available by the required time, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is May 31. Accordingly, it must provide updated information by November 30, in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA.

Material Event Notices

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

obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “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. 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 liquidity enhancement. 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

The District has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the District to EMMA described above under “Annual Reports” and “Event and Material Event Notices” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB Board.

Investors will be able to access continuing disclosure information filed with the MSRB at 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 Registered Owners may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that its right to do so would not prevent an Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District entered into a voluntary agreement for the benefit of the holders and beneficial owners of the Outstanding Bonds under which it was obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events. Due to an administrative oversight, the District failed to timely file its voluntary disclosure of Financial Information Operating Data and Fiscal Year End Audit for fiscal year ending May 31, 2024. Such oversight was ultimately corrected as of August 29, 2025, and the District has instituted procedures to ensure the timely filing of all required information.

SOURCES OF INFORMATION

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District, certain engineering matters, and to the description of the System generally, and in particular, the engineering information included in the sections captioned “THE DISTRICT” and “THE SYSTEM” has been provided by Edminster Hinshaw Russ & Associates, Inc., Houston, Texas. Such information 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 Principal Property Owners, breakdown of historical taxable values, tax collection rates and assessed valuations of property generally, and, in particular, that information in the section captioned “SELECTED FINANCIAL INFORMATION,” has been provided by the Harris Central Appraisal District and B&A Municipal Tax Services, LLC. in reliance upon the authority of such parties as experts in the fields of assessing property values and collecting taxes, respectively.

The financial statements of the District as of May 31, 2025, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s most recent audited financial statements.

Updating of Official Statement

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

Certification of Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

[the remainder of this page left blank intentionally]

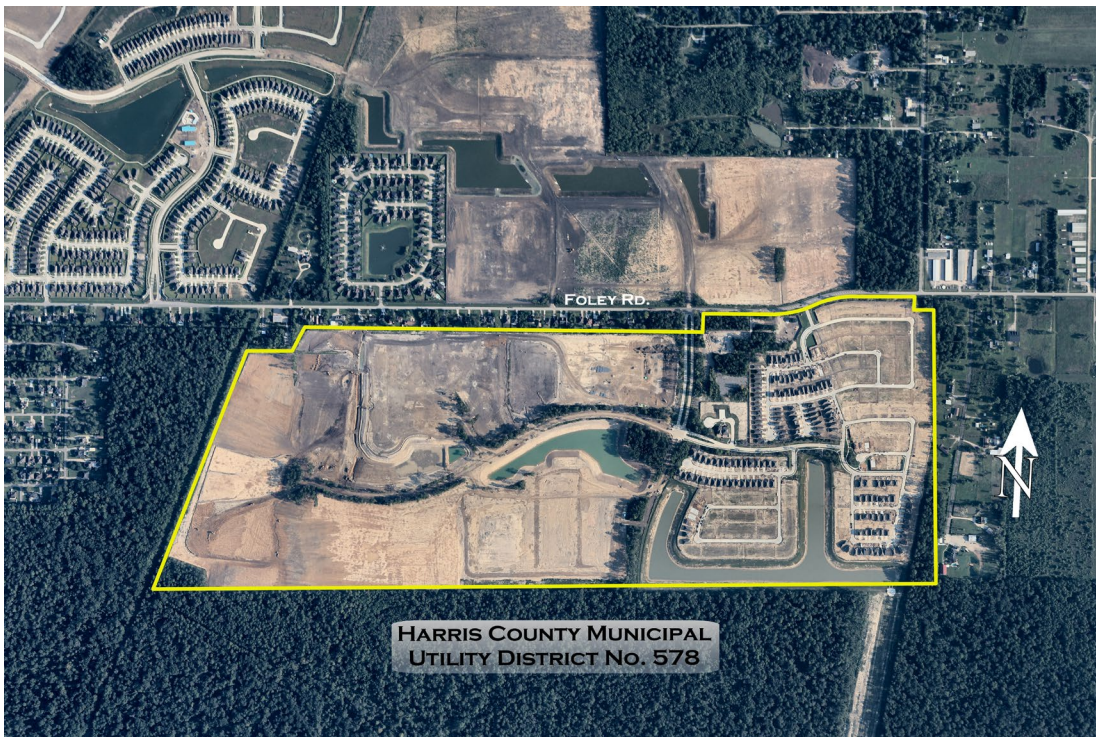
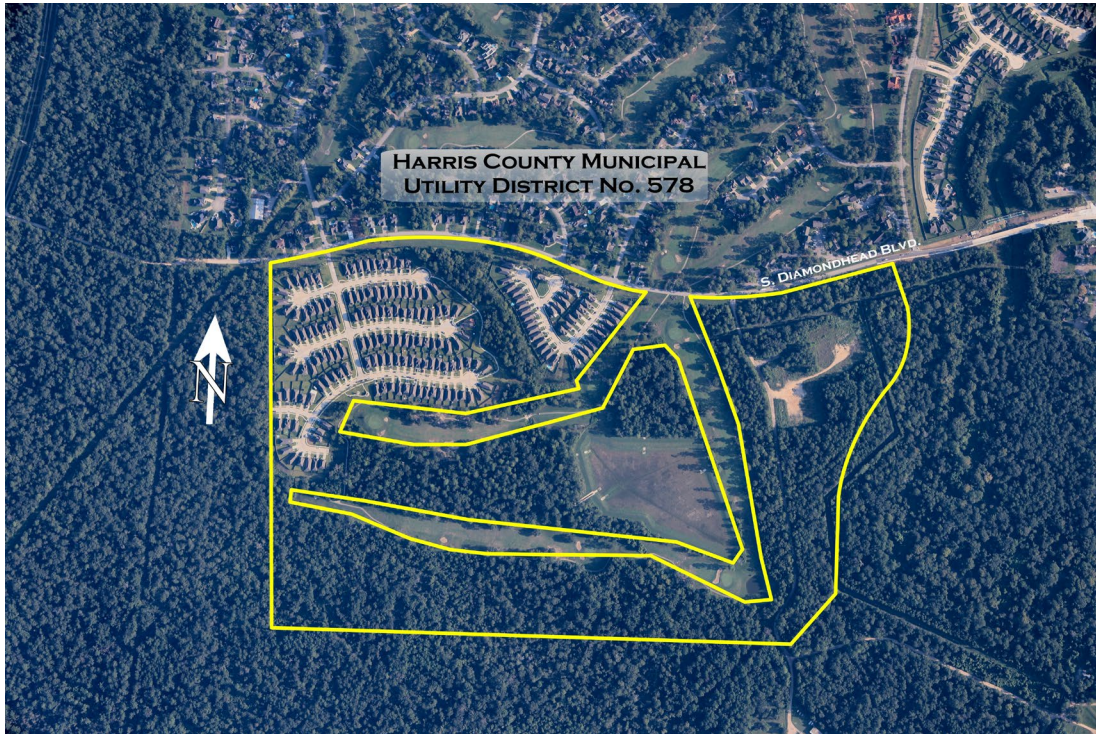
This Official Statement is duly approved by the Board of Directors of Harris County Municipal Utility District No. 578 as of the date specified on the first page hereof.

President, Board of Directors
Harris County Municipal Utility District No. 578

ATTEST:

Secretary, Board of Directors
Harris County Municipal Utility District No. 578

AERIAL PHOTOGRAPH
(September 2025)



DISTRICT PHOTOS
(August 2025)



APPENDIX A

Independent Auditor's Report and Financial Statements of the District

HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 578
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
MAY 31, 2025

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-21
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	22
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	23
SCHEDULE OF SERVICES AND RATES	24-25
EXPENDITURES FOR THE YEAR ENDED MAY 31, 2025	26
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS, ALL GOVERNMENTAL FUND TYPES	27
SCHEDULE OF TEMPORARY INVESTMENTS	28
TAXES LEVIED AND RECEIVABLE	29-30
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	31
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	32
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	33
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	34
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	35-36

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

October 2, 2025

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 578
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 578 as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 578's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 578, as of May 31, 2025, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 578, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Harris County Municipal Utility District No. 578'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Harris County Municipal Utility District No. 578's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 578's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 578's basic financial statements. The supplementary information on Pages 23 to 36 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is positioned in the lower right area of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 578 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2025.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of sewer, drainage and road services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures for water, sewer, drainage and road systems from this fund are subject to the Rules of the Texas Commission on Environmental Quality and/or the Bond Orders. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and service revenues and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Current and other assets	\$ 1,703,901	\$ 246,449	\$ 1,457,452
Capital assets	<u>30,760,502</u>	<u>7,237,035</u>	<u>23,523,467</u>
Total assets	<u>32,464,403</u>	<u>7,483,484</u>	<u>24,980,919</u>
Long-term liabilities	32,591,179	7,571,035	25,020,144
Other liabilities	<u>1,030,235</u>	<u>198,828</u>	<u>831,407</u>
Total liabilities	<u>33,621,414</u>	<u>7,769,863</u>	<u>25,851,551</u>
Net position:			
Invested in capital assets, net of related debt	(1,423,268)	0	(1,423,268)
Restricted	399,838	0	399,838
Unrestricted	<u>(133,581)</u>	<u>(286,379)</u>	<u>152,798</u>
Total net position	<u>\$ (1,157,011)</u>	<u>\$ (286,379)</u>	<u>\$ (870,632)</u>

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 585,795	\$ 113,270	\$ 472,525
Charges for services	481,662	375,307	106,355
Other	<u>30,137</u>	<u>5,801</u>	<u>24,336</u>
Total revenues	<u>1,097,594</u>	<u>494,378</u>	<u>603,216</u>
Expenses:			
Service operations	1,556,380	671,569	884,811
Debt service	<u>411,846</u>	<u>0</u>	<u>411,846</u>
Total expenses	<u>1,968,226</u>	<u>671,569</u>	<u>1,296,657</u>
Change in net position	(870,632)	(177,191)	(693,441)
Net position, beginning of year	<u>(286,379)</u>	<u>(109,188)</u>	<u>(177,191)</u>
Net position, end of year	<u>\$ (1,157,011)</u>	<u>\$ (286,379)</u>	<u>\$ (870,632)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2025, were \$666,430, an increase of \$619,233 from the prior year.

The General Fund balance increased by \$97,082, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$372,633, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$149,518, as bond proceeds and interest earnings on deposits exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of May 31, 2025, was expected to be \$47,197 and the actual end of year fund balance was \$144,279.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land	\$ 398,230	\$	\$ 398,230
Detention ponds	954,024		954,024
Construction in progress	28,188,135	7,237,035	20,951,100
Capacity fees	540,395		540,395
Water facilities	303,168		303,168
Sewer facilities	376,550		376,550
Totals	<u>\$ 30,760,502</u>	<u>\$ 7,237,035</u>	<u>\$ 23,523,467</u>

Changes to capital assets during the fiscal year ended May 31, 2025, are summarized as follows:

Additions:	
Utilities and roads constructed by developer	\$ 24,003,493
Decreases:	
Assets constructed and transferred to other entities	(449,973)
Depreciation	<u>(30,053)</u>
Net change to capital assets	<u>\$ 23,523,467</u>

Debt

Subsequent to May 31, 2025, the District sold its \$3,750,000 Series 2025 unlimited tax road bonds on October 2, 2025.

Changes in the bonded debt position of the District during the fiscal year ended May 31, 2025, are summarized as follows:

Bonded debt payable, beginning of year	\$ 0
Sale of bonds	<u>4,215,000</u>
Bonded debt payable, end of year	<u>\$ 4,215,000</u>

At May 31, 2025, the District had \$364,485,000 unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes, \$179,800,000 for road purposes authorized but unissued and \$75,800,000 authorized but unissued for parks and recreational facilities.

The District's Series 2024 utility bonds are not rated or insured.

As further described in Note 5 of the notes to the financial statements, the developers within the District have advanced funds to the District to cover initial operating deficits. As of May 31, 2025, the cumulative amount of developer advances for this purpose was \$302,150.

As further described in Note 5 of the notes to the financial statements, the developers within the District are constructing roads and water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality, as applicable. At May 31, 2025, the estimated amount due to the developers was \$28,188,135.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately \$32,580,000 for the 2024 tax year (approximately 418%) due to the addition of new property and improvements within the District.

The District's tax base is concentrated in a small number of taxpayers. The District's developers own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2025

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 682,934	\$ 370,918	\$ 164,938	\$ 1,218,790	\$	\$ 1,218,790
Temporary investments, at cost, Note 7	328,245			328,245		328,245
Receivables:						
Property taxes	24,290	22,670		46,960		46,960
Service accounts	43,031			43,031		43,031
Prepaid insurance	7,455			7,455		7,455
Prepaid lease, Note 10	59,420			59,420		59,420
Due from other funds	15,420	1,715		17,135	(17,135)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	29,540,389	29,540,389
Depreciable capital assets				0	1,220,113	1,220,113
Total assets	\$1,160,795	\$ 395,303	\$ 164,938	\$ 1,721,036	30,743,367	32,464,403
LIABILITIES						
Accounts payable	\$ 211,136	\$	\$	\$ 211,136		211,136
Accrued interest payable				0	47,622	47,622
Connection fees payable to City	372,000			372,000		372,000
Customer and builder deposits	407,375			407,375		407,375
Due to other funds	1,715		15,420	17,135	(17,135)	0
Long-term liabilities, Note 5:						
Due within one year				0	(7,898)	(7,898)
Due in more than one year				0	32,591,179	32,591,179
Total liabilities	992,226	0	15,420	1,007,646	32,613,768	33,621,414
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	24,290	22,670	0	46,960	(46,960)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		97,361		97,361	(97,361)	0
Assigned to:						
Debt service		275,272		275,272	(275,272)	0
Capital projects			149,518	149,518	(149,518)	0
Unassigned	144,279			144,279	(144,279)	0
Total fund balances	144,279	372,633	149,518	666,430	(666,430)	0
Total liabilities, deferred inflows, and fund balances	\$1,160,795	\$ 395,303	\$ 164,938	\$ 1,721,036		
Net position:						
Invested in capital assets, net of related debt, Note 4					(1,423,268)	(1,423,268)
Restricted for debt service					250,320	250,320
Restricted for capital projects					149,518	149,518
Unrestricted, Note 5					(133,581)	(133,581)
Total net position					\$ (1,157,011)	\$ (1,157,011)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 278,859	\$ 259,996	\$	\$ 538,855	\$ 46,536	\$ 585,391
Water service	145,114			145,114		145,114
Sewer service	139,881			139,881		139,881
Surface water fees, Note 9	8,033			8,033		8,033
Penalty and interest	9,334	404		9,738		9,738
Tap connection and sewer inspection fees	179,300			179,300		179,300
Interest on deposits	16,119	8,327	5,691	30,137		30,137
Total revenues	776,640	268,727	5,691	1,051,058	46,536	1,097,594
EXPENDITURES / EXPENSES						
Administrative expenditures:						
Purchased services, Note 9	243,795			243,795		243,795
Professional fees	118,735		55,000	173,735		173,735
Contracted services	22,238	15,245		37,483		37,483
Repairs and maintenance	176,440			176,440		176,440
Other operating expenditures	1,092			1,092		1,092
Garbage disposal	40,162			40,162		40,162
Administrative expenditures	17,214	1,992		19,206		19,206
Depreciation				0	30,053	30,053
Capital outlay / non-capital outlay	96,100		3,144,243	3,240,343	(2,694,270)	546,073
Debt service:						
Bond issuance expenditures			267,238	267,238		267,238
Interest and fees		93,127	288,341	381,468	51,481	432,949
Total expenditures / expenses	715,776	110,364	3,754,822	4,580,962	(2,612,736)	1,968,226
Excess (deficiency) of revenues over expenditures	60,864	158,363	(3,749,131)	(3,529,904)	2,659,272	(870,632)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		316,351	3,898,649	4,215,000	(4,215,000)	0
Bond issuance discounts, Note 5		(125,863)		(125,863)	125,863	0
Reimbursement to (from) other fund	(23,782)	23,782		0	0	0
Developer advances, Note 5	60,000			60,000	(60,000)	0
Total other financing sources (uses)	36,218	214,270	3,898,649	4,149,137	(4,149,137)	0
Net change in fund balances / net position	97,082	372,633	149,518	619,233	(1,489,865)	(870,632)
Beginning of year	47,197	0	0	47,197	(333,576)	(286,379)
End of year	\$ 144,279	\$ 372,633	\$ 149,518	\$ 666,430	\$ (1,823,441)	\$ (1,157,011)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578NOTES TO THE FINANCIAL STATEMENTSMAY 31, 2025

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 578 (the "District") was created by Act of the 87th Texas Legislature, Regular Session 2021, codified at Chapter 7914A, Texas Special District Local Laws Code, as a municipal utility district, effective September 1, 2021. The District operates in accordance with Texas Water Code Chapter 49, Texas Local Government Code Chapter 375, and Article III, Sections 52 and 52-a and Article XVI, Section 59, of the Texas Constitution. The District was confirmed by an election held within the District on November 2, 2021. The District is located within the extra territorial jurisdiction of the City of Houston and within Harris County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on June 10, 2021. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage. The District is empowered, among other things, to provide for water, wastewater, drainage and road facilities.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts and other receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years
Roads	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 666,430
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		30,760,502
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (4,215,000)	
Deferred charge on refunding (to be amortized as interest expense)	122,004	
Due to developers for operating advances	(302,150)	
Due to developers for construction	<u>(28,188,135)</u>	(32,583,281)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		46,960
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(47,622)</u>
Net position, end of year		<u>\$ (1,157,011)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	\$ 619,233
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	\$ 2,694,270
Depreciation	<u>(30,053)</u> 2,664,217
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Bonds issued	(4,215,000)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:	
Issuance discounts	122,004
The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Developer advances	(60,000)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:	
Uncollected property taxes	46,536
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Accrued interest	<u>(47,622)</u>
Change in net position	<u>\$ (870,632)</u>

NOTE 4: CAPITAL ASSETS

At May 31, 2025, "Invested in capital assets, net of related debt" was \$(1,423,268). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of the road system and most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended May 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$	\$ 398,230	\$	\$ 398,230
Detention ponds		954,024		954,024
Construction in progress	<u>7,237,035</u>	<u>24,003,493</u>	<u>3,052,393</u>	<u>28,188,135</u>
Total capital assets not being depreciated	<u>7,237,035</u>	<u>25,355,747</u>	<u>3,052,393</u>	<u>29,540,389</u>
Depreciable capital assets:				
Capacity fees		555,000		555,000
Water facilities		310,058		310,058
Sewer facilities		<u>385,108</u>		<u>385,108</u>
Total depreciable capital assets	<u>0</u>	<u>1,250,166</u>	<u>0</u>	<u>1,250,166</u>
Less accumulated depreciation for:				
Capacity fees		(14,605)		(14,605)
Water facilities		(6,890)		(6,890)
Sewer facilities		<u>(8,558)</u>		<u>(8,558)</u>
Total accumulated depreciation	<u>0</u>	<u>(30,053)</u>	<u>0</u>	<u>(30,053)</u>
Total depreciable capital assets, net	<u>0</u>	<u>1,220,113</u>	<u>0</u>	<u>1,220,113</u>
Total capital assets, net	<u>\$ 7,237,035</u>	<u>\$ 26,575,860</u>	<u>\$ 3,052,393</u>	<u>\$ 30,760,502</u>
Changes to capital assets:				
Capital outlay		\$ 2,694,270	\$	
Assets transferred to non-depreciable assets		1,352,254	1,352,254	
Assets transferred to depreciable assets		1,250,166	1,250,166	
Transfer of subdivision drainage system to Harris County		449,973	449,973	
Increase in liability to developer for construction		24,003,493		
Capital outlay paid (decrease in liability) to developer		(3,144,243)		
Less depreciation expense for the fiscal year		<u>(30,053)</u>		
Net increases / decreases to capital assets		<u>\$ 26,575,860</u>	<u>\$ 3,052,393</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Subsequent to May 31, 2025, the District sold its \$3,750,000 Series 2025 unlimited tax road bonds on October 2, 2025.

Long-term liability activity for the fiscal year ended May 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$	\$ 4,215,000	\$	\$ 4,215,000	\$
Add (less) deferred amounts:					
For issuance (discounts) premiums		<u>(125,863)</u>	<u>(3,859)</u>	<u>(122,004)</u>	<u>(7,898)</u>
Total bonds payable	<u>0</u>	<u>4,089,137</u>	<u>(3,859)</u>	<u>4,092,996</u>	<u>(7,898)</u>
Due to developers for operating advances (see below)	334,000	60,000	91,850	302,150	-----
Due to developers for construction (see below)	<u>7,237,035</u>	<u>24,003,493</u>	<u>3,052,393</u>	<u>28,188,135</u>	<u>-----</u>
Total due to developers	<u>7,571,035</u>	<u>24,063,493</u>	<u>3,144,243</u>	<u>28,490,285</u>	<u>0</u>
Total long-term liabilities	<u>\$ 7,571,035</u>	<u>\$ 28,152,630</u>	<u>\$ 3,140,384</u>	<u>\$ 32,583,281</u>	<u>\$ (7,898)</u>

Water, sewer and drainage bonds voted*	\$ 368,700,000
Water, sewer and drainage bonds approved for sale and sold	4,215,000
Water, sewer and drainage bonds voted and not issued	364,485,000
Road bonds voted*	\$ 179,800,000
Road bonds approved for sale and sold	0
Road bonds voted and not issued	179,800,000
Park and Recreational bonds voted*	\$ 75,800,000
Park and Recreational bonds approved for sale and sold	0
Park and Recreational bonds voted and not issued	75,800,000

*Refunding bonds voted in the same amount.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	\$ 190,488	\$ 190,488
2027	85,000	187,512	272,512
2028	85,000	181,563	266,563
2029	90,000	175,437	265,437
2030	95,000	168,963	263,963
2031 - 2035	565,000	760,787	1,325,787
2036 - 2040	745,000	624,219	1,369,219
2041 - 2045	975,000	442,532	1,417,532
2046 - 2050	1,275,000	204,743	1,479,743
2051	<u>300,000</u>	<u>6,375</u>	<u>306,375</u>
	<u>\$ 4,215,000</u>	<u>\$ 2,942,619</u>	<u>\$ 7,157,619</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

The bond issues payable at May 31, 2025, were as follows:

	<u>Series 2024 Utility</u>
Amounts outstanding, May 31, 2025	\$4,215,000
Interest rates	4.00% to 7.00%
Maturity dates, serially beginning/ending	September 1, 2026/2050
Interest payment dates	September 1/March 1
Callable dates	September 1, 2030*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

In accordance with the Series 2024 utility Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Sale of bonds, Series 2023:	
6 months' interest from sale of Series 2024 road bonds	\$ 190,488
Deduct appropriation for bond interest paid:	
Series 2024 utility bonds	<u>(93,127)</u>
Bond interest reserve, end of year:	
Series 2024 utility bonds	<u>\$ 97,361</u>

Developer Construction Commitments, Liabilities and Advances

The developers within the District have advanced funds to the District to cover initial operating deficits. At May 31, 2025, the cumulative amount of unreimbursed developer advances was \$302,150. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$168,569.

The developers within the District have constructed certain underground facilities and roads within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality, as applicable. The District's engineer stated that unreimbursed cost of the construction in progress at May 31, 2025, was \$28,188,135. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held November 2, 2021, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. The voters authorized a road maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This road maintenance tax is to be used for the operation and maintenance of a road system and related storm drainage system within the District. The voters also authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 valuation on all property subject to taxation within the District. This park and recreational maintenance tax is to be used for the operation and maintenance of parks and recreational facilities within the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater, drainage and road bonds.

On October 3, 2024, the District levied the following ad valorem taxes for the 2024 tax year on the adjusted taxable valuation of \$40,380,845:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.7000	\$ 282,666
Maintenance	<u>0.7500</u>	<u>302,856</u>
	<u>\$ 1.4500</u>	<u>\$ 585,522</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2024 tax year total property tax levy	\$ 585,522
Appraisal district adjustments to prior year taxes	<u>(131)</u>
Statement of Activities property tax revenues	<u>\$ 585,391</u>

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developers own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and an authorized private sector investment pool (Texas CLASS). Texas CLASS is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in Texas CLASS was \$328,245.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 370,918
------	------------

Capital Projects Fund

For construction of capital assets:

Cash	\$ 164,938
------	------------

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past two fiscal years. At May 31, 2025, the District had comprehensive general liability insurance coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general limit, pollution coverage of \$1,000,000, excess liability coverage of \$2,000,000, workers' compensation coverage of \$1,000,000, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: CONTRACTS WITH OTHER DISTRICT

Water Supply and Groundwater Reduction Agreement

On June 3, 2021, The District and Newport Municipal Utility District ("Newport MUD") entered into a Water Supply and Groundwater Reduction Agreement. The term of the agreement is 40 years. Under the terms of the agreement, the District can purchase up to 350 ESFCs of potable water from Newport MUD. The District reimbursed its developers for the purchase 185 ESFCs during the fiscal year ended May, 31, 2025. The District is billed monthly at 150% of Newport MUD's in-district billing rate. The Water service charges accrued during the fiscal year ended May 31, 2025, were \$121,959.

Wastewater Treatment Agreement

On August 19, 2021, the District and Newport MUD entered into a 40 year Wastewater Treatment Agreement. The term of the agreement is 40 years. Under the terms of the agreement, Newport MUD will treat up to 350 ESFCs of wastewater from the District. The District reimbursed its developers for the purchase 185 ESFCs during the fiscal year ended May, 31, 2025. The District is billed monthly at 150% of Newport MUD's in-district billing rate. The Wastewater treatment service charges accrued during the fiscal year ended May 31, 2025, were \$121,836.

NOTE 10: LEASE OF INTERIM WASTEWATER TREATMENT PLANT

On September 6, 2024, as amended August 27, 2025, the District and AUC Group, LLC entered into an amended agreement for the lease of a Pre-packaged Wastewater Treatment Plant (the "Plant"). The initial term of the amended lease is 60 months from the date of commencement of operations, after which the lease is automatically extended on a month-to-month basis until such time the Lessor terminates the lease or the Purchase Option is exercised. The cost of the lease is \$34,900 per month during the initial 60 month term and \$29,780 per month during any extended term. At the end of the initial 60 month term the District has the option to purchase the Plant for a lump sum of \$1,330,184. It is anticipated that the Plant will commence operations in January 2026 once the Plant is substantially complete and installed. At this date the District had prepaid \$59,420 toward the final lease payment and one month's lease cost.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2025

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 280,000	\$ 280,000	\$ 278,859	\$ (1,141)
Water service	100,000	100,000	145,114	45,114
Sewer service	100,000	100,000	139,881	39,881
Surface water fees	9,000	9,000	8,033	(967)
Penalty and other	10,000	10,000	9,334	(666)
Tap connection and sewer inspection fees	0	0	179,300	179,300
Interest on deposits	6,300	6,300	16,119	9,819
TOTAL REVENUES	505,300	505,300	776,640	271,340
EXPENDITURES				
Service operations:				
Purchased services	252,500	252,500	243,795	(8,705)
Professional fees	106,500	106,500	118,735	12,235
Contracted services	12,000	12,000	22,238	10,238
Repairs and maintenance	154,400	154,400	176,440	22,040
Other operating expenditures	1,150	1,150	1,092	(58)
Garbage disposal	37,000	37,000	40,162	3,162
Administrative expenditures	27,020	27,020	17,214	(9,806)
Capital outlay	0	0	96,100	96,100
TOTAL EXPENDITURES	590,570	590,570	715,776	125,206
EXCESS REVENUES (EXPENDITURES)	(85,270)	(85,270)	60,864	146,134
OTHER FINANCING SOURCES (USES)				
Developer advances	85,270	85,270	60,000	(25,270)
Reimbursement to other fund	0	0	(23,782)	(23,782)
TOTAL OTHER FINANCIAL SOURCES (USES)	85,270	85,270	36,218	(49,052)
EXCESS SOURCES (USES)	0	0	97,082	97,082
FUND BALANCE, BEGINNING OF YEAR	47,197	47,197	47,197	0
FUND BALANCE, END OF YEAR	\$ 47,197	\$ 47,197	\$ 144,279	\$ 97,082

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITYMAY 31, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

SCHEDULE OF SERVICES AND RATES

MAY 31, 2025

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$35.15	0	N	\$2.80	Over 4,000
WASTEWATER:	\$50.01	0	N	\$2.20	Over 4,000
SURCHARGE:	\$0.67 per 1,000 gallons of water used. – Surface water fees.				

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

Total charges per 10,000 gallons usage: Water: \$51.95 Wastewater: \$63.21 Surcharge: \$6.70

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578
SCHEDULE OF SERVICES AND RATES (Continued)
MAY 31, 2025

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	0	0	1.0	0
< or = 3/4"	207	198	1.0	198
1"	0	0	2.5	0
1-1/2"	0	0	5.0	0
2"	0	0	8.0	0
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>207</u>	<u>198</u>		<u>198</u>
Total Wastewater	<u>207</u>	<u>198</u>	1.0	<u>198</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 14,064
Gallons billed to customers (unaudited): 11,556

Water Accountability Ratio
(Gallons billed/ gallons pumped): 82%

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

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

If yes, date of the most recent Commission Order: _____

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Purchased services:				
Water	\$ 121,959	\$	\$	121,959
Sewer	121,836			121,836
	<u>243,795</u>	<u>0</u>	<u>0</u>	<u>243,795</u>
Professional fees:				
Auditing	6,500			6,500
Legal	55,863		55,000	110,863
Engineering	56,372			56,372
	<u>118,735</u>	<u>0</u>	<u>55,000</u>	<u>173,735</u>
Contracted services:				
Bookkeeping	11,835			11,835
Operation and billing	6,903			6,903
Tax assessor-collector	3,500	11,941		15,441
Central appraisal district		3,304		3,304
	<u>22,238</u>	<u>15,245</u>	<u>0</u>	<u>37,483</u>
Repair and maintenance	<u>176,440</u>	<u>0</u>	<u>0</u>	<u>176,440</u>
Other operating expenditures:				
TCEQ assessment	<u>1,092</u>	<u>0</u>	<u>0</u>	<u>1,092</u>
Garbage disposal	<u>40,162</u>	<u>0</u>	<u>0</u>	<u>40,162</u>
Administrative expenditures:				
Director's fees	7,956			7,956
Insurance	7,218	50		7,268
Other	2,040	1,942		3,982
	<u>17,214</u>	<u>1,992</u>	<u>0</u>	<u>19,206</u>
CAPITAL OUTLAY				
Authorized expenditures			3,144,243	3,144,243
Tap connection costs	96,100			96,100
	<u>96,100</u>	<u>0</u>	<u>3,144,243</u>	<u>3,240,343</u>
DEBT SERVICE				
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>267,238</u>	<u>267,238</u>
Interest	<u>0</u>	<u>93,127</u>	<u>288,341</u>	<u>381,468</u>
TOTAL EXPENDITURES	<u>\$ 715,776</u>	<u>\$ 110,364</u>	<u>\$ 3,754,822</u>	<u>\$ 4,580,962</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MAY 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 496,892	\$ 268,727	\$ 5,691	\$ 771,310
Maintenance tax receipts		278,859		278,859
Proceeds from sale of bonds		214,270	3,898,649	4,112,919
Transfer of maintenance taxes	280,551			280,551
Developer advance for operations	60,000			60,000
Developer advance for connection fees	372,875			372,875
Overpayments from taxpayers		<u>3,913</u>		<u>3,913</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>1,210,318</u>	<u>765,769</u>	<u>3,904,340</u>	<u>5,880,427</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	81,089	16,374	55,000	152,463
Capital outlay	96,100		3,144,243	3,240,343
Debt service		93,127	540,159	633,286
Prepaid expenditures	66,875			66,875
Other fund	15,420			15,420
Maintenance tax transfers		280,551		280,551
Decrease in customer and builder deposits	24,450			24,450
Refund of taxpayer overpayments		<u>4,799</u>		<u>4,799</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>283,934</u>	<u>394,851</u>	<u>3,739,402</u>	<u>4,418,187</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	926,384	370,918	164,938	1,462,240
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>84,795</u>	<u>0</u>	<u>0</u>	<u>84,795</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 1,011,179</u>	<u>\$ 370,918</u>	<u>\$ 164,938</u>	<u>\$ 1,547,035</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578SCHEDULE OF TEMPORARY INVESTMENTSMAY 31, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Texas CLASS				
No. TX-01-1079-0001	Market	On demand	\$ <u>328,245</u>	\$ <u>0</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2025

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	\$ 424	\$ 0
Additions and corrections to prior year taxes	<u>(131)</u>	<u>0</u>
Adjusted receivable, beginning of year	293	0
2024 ADJUSTED TAX ROLL	<u>302,856</u>	<u>282,666</u>
Total to be accounted for	303,149	282,666
Tax collections: Current tax year	(278,566)	(259,996)
Prior tax years	<u>(293)</u>	<u>0</u>
RECEIVABLE, END OF YEAR	<u>\$ 24,290</u>	<u>\$ 22,670</u>
RECEIVABLE, BY TAX YEAR		
2024	<u>\$ 24,290</u>	<u>\$ 22,670</u>
RECEIVABLE, END OF YEAR	<u>\$ 24,290</u>	<u>\$ 22,670</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED MAY 31, 2025

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2024</u>	<u>2023</u>	<u>2022**</u>
Land	\$ 8,083,877	\$ 6,560,166	\$ 3,301,062
Improvements	36,829,845	3,967,907	46,320
Personal property	65,168	23,866	0
Less exemptions	<u>(4,598,045)</u>	<u>(2,749,363)</u>	<u>(2,574,000)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 40,380,845</u>	<u>\$ 7,802,576</u>	<u>\$ 773,382</u>
TAX RATES PER \$100 VALUATION			
Debt service tax rates	\$ 0.70000	\$ 0.00000	\$ 0.00000
Maintenance tax rates*	<u>0.75000</u>	<u>1.45000</u>	<u>1.45000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.45000</u>	<u>\$ 1.45000</u>	<u>\$ 1.45000</u>
TAX ROLLS	<u>\$ 585,522</u>	<u>\$ 113,270</u>	<u>\$ 11,214</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>92.0 %</u>	<u>100 %</u>	<u>100 %</u>

*Maximum tax rate approved by voters on November 2, 2021: \$1.50

**The District first levied taxes for tax year 2022.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED MAY 31, 2025

Due During Fiscal Years Ending May 31	Series 2024		
	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$	\$ 190,488	\$ 190,488
2027	85,000	187,512	272,512
2028	85,000	181,563	266,563
2029	90,000	175,437	265,437
2030	95,000	168,963	263,963
2031	100,000	162,137	262,137
2032	105,000	156,538	261,538
2033	115,000	152,137	267,137
2034	120,000	147,438	267,438
2035	125,000	142,537	267,537
2036	135,000	137,169	272,169
2037	140,000	131,325	271,325
2038	150,000	125,163	275,163
2039	155,000	118,681	273,681
2040	165,000	111,881	276,881
2041	175,000	104,656	279,656
2042	185,000	97,007	282,007
2043	195,000	88,931	283,931
2044	205,000	80,432	285,432
2045	215,000	71,506	286,506
2046	230,000	62,050	292,050
2047	240,000	52,062	292,062
2048	255,000	41,544	296,544
2049	270,000	30,387	300,387
2050	280,000	18,700	298,700
2051	300,000	6,375	306,375
TOTALS	<u>\$ 4,215,000</u>	<u>\$ 2,942,619</u>	<u>\$ 7,157,619</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED MAY 31, 2025

Bond Series	2024
Interest Rate	4.00% to 7.00%
Dates Interest Payable	September 1/ March 1
Maturity Dates	September 1, 2026/2050
Bonds Outstanding at Beginning of Current Year	\$
Add Bonds Sold	4,215,000
Less Retirements	<u> </u>
Bonds Outstanding at End of Current Year	<u>\$ 4,215,000</u>
Current Year Interest Paid	<u>\$ 93,127</u>

Bond Descriptions and Original Amount of Issue

Harris County Municipal Utility District No. 578 Unlimited Tax Bonds, Series 2024 (\$4,215,000)

Paying Agent/Registrar

UMB Bank, N. A., Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 624,300,000	\$	\$ 624,300,000
Amount Issued:	4,215,000		
Remaining to be Issued:	620,085,000		624,300,000

Net Debt Service Fund deposits and investments balances as of April 30, 2025:	\$ 372,633
Average annual debt service payment for remaining term of all debt:	275,293

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2025	2024*	2023	2022**	2020	2025	2024	2023	2022	2020
REVENUES										
Property taxes	\$ 278,859	\$ 112,846	\$ 11,214	\$	\$	35.9 %	22.8 %	3.1 %	%	%
Water service	145,114	103,333	23,845			18.7	20.9	6.8		
Sewer service	139,881	102,584	15,431			18.0	20.8	4.4		
Surface water fees	8,033	8,933	1,619			1.0	1.8	0.5		
Penalty	9,334	18,782	2,370			1.2	3.8	0.7		
Tap connection and inspection fees	179,300	137,300	295,000			23.1	27.8	83.8		
Interest on deposits and investments	16,119	5,801	395			2.1	1.2	0.1		
Other revenues	0	4,375	2,150			0.0	0.9	0.6		
TOTAL REVENUES	776,640	493,954	352,024	0	0	100.0	100.0	100.0	N/A	N/A
EXPENDITURES										
Service operations:										
Purchased services	243,795	273,716	52,733			31.4	55.5	15.0		
Professional fees	118,735	113,271	40,984	55,110		15.3	23.0	11.6		
Contracted services	22,238	25,898	16,214	10,061		2.9	5.2	4.6		
Repair and maintenance	176,440	112,376	83,364			22.7	22.8	23.7		
Other operating expenditures	1,092	15,317				0.1	3.1	0.0		
Garbage disposal	40,162	23,437	600			5.2	4.7	0.2		
Administrative expenditures	17,214	14,546	5,975	14,232		2.2	2.9	1.7		
Capital outlay	96,100	93,008	181,939			12.4	18.8	51.7		
TOTAL EXPENDITURES	715,776	671,569	381,809	79,403	0	92.2	136.0	108.5	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	\$ 60,864	\$ (177,615)	\$ (29,785)	\$ (79,403)	\$ 0	7.8 %	(36.0) %	(8.5) %	N/A %	N/A %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	198	181	124	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	198	180	122	N/A	N/A					

*District is funded, in part, by developer advances for fiscal years 2024 and prior.

**First year of financial activity.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2025*	2024	2023	2022	2021	2025	2024	2023	2022	2021
REVENUES										
Property taxes	\$ 259,996	\$	\$	\$	\$	96.7 %	%	%	%	%
Penalty and interest	404					0				
Interest on deposits	8,327					3.1				
TOTAL REVENUES	268,727	0	0	0	0	100.0	0.0	0.0	0.0	0.0
EXPENDITURES										
Current:										
Professional fees	0					0.0				
Contracted services	15,245					5.7				
Other expenditures	1,992					0.7				
Debt service:										
Principal retirement	0					0.0				
Interest and fees	93,127					34.7				
TOTAL EXPENDITURES	110,364	0	0	0	0	41.1	N/A	N/A	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	\$ 158,363	\$ 0	\$ 0	\$ 0	\$ 0	58.9 %	N/A %	N/A %	N/A %	N/A %

*First year of financial activity.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSMAY 31, 2025

Complete District Mailing Address: Harris County Municipal Utility District No. 578
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: June 17, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Sam Cocke c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/24- 5/06/28	\$ 1,768	\$ 392	President
Terry O' Kelley c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/24- 5/02/26	1,768	229	Vice President
Lauren Brigance c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/24- 5/06/28	1,547	61	Secretary
Alissa Payne c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	Elected 5/07/22- 5/02/26	1,547	33	Assistant Secretary
Christopher Townsend c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/07/22- 5/02/26	1,326	370	Assistant Secretary

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

MAY 31, 2025

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	6/10/21	\$ 110,931 123,972 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	6/10/21	11,835 1,200 Bonds	Bookkeeper
Debra Loggins P.O. Box 170 Tomball, Texas 77377	2/14/22	0	Investment Officer
Professional Utility Services, Inc. 7702 FM 1960 East, Suite 100 Humble, Texas 77346	11/15/21	181,128	Operator
EHRA Engineering 10011 Meadowglen Lane Houston, Texas 77042	3/30/22	56,372 53,647 Bonds	Engineer
B & A Municipal Tax Services, Inc. 13333 Northwest Freeway, Suite 250 Houston, Texas 77040	8/12/21	16,535 1,200 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	3,304	Central Appraisal District
RBC Capital Markets, L.L.C. 2800 Post Oak Blvd., Suite 4325 Houston, Texas 77056	11/15/21	55,738	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	3/30/22	6,500 4,950 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN