

OFFICIAL STATEMENT DATED OCTOBER 15, 2025

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, THE BONDS (HEREIN DEFINED) ARE VALID OBLIGATIONS OF THE DISTRICT (HEREIN DEFINED), AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS” and “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “LEGAL MATTERS – Qualified Tax-Exempt Obligations.”

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured) “AA”

\$2,745,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 148
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX ROAD BONDS, SERIES 2025

Dated: November 1, 2025

Interest accrues from: November 20, 2025

Due: September 1, as shown on the inside cover

The \$2,745,000 Montgomery County Municipal Utility District No. 148 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are obligations of Montgomery County Municipal Utility District No. 148 (the “District”) and are not obligations of the State of Texas (“Texas”); Montgomery County, Texas (the “County”); the City of Conroe, Texas (the “City”); or any entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds will be initially registered and delivered only to 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 Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar”) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the “Registered Owner(s)”) at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated November 1, 2025, and interest accrues from the date of delivery of the Bonds (on or about November 20, 2025 – the “Date of Delivery”). Interest on the Bonds is payable on March 1, 2026, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the “Record Date”). Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in denominations of \$5,000 of principal or any integral multiple thereof in fully registered form only.

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

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



The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring a road system to serve the District (the “Road System”). At an election held within the District on November 3, 2015, voters of the District authorized the District’s issuance of \$200,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System to serve the District and \$300,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; \$268,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities to serve the District and \$402,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; and \$32,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities to serve the District and \$48,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds.

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

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled “RISK FACTORS,” before making an investment decision. 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 of the Bonds (the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel (“Bond Counsel”). Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel (“Disclosure Counsel”). Delivery of the Bonds through the facilities of DTC is expected on or about November 20, 2025.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$2,745,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 148 UNLIMITED TAX ROAD BONDS, SERIES 2025

\$2,050,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373E (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373E (b)
2026	\$ 45,000	6.500%	3.050%	EA4	2037 (c)	\$ 100,000	4.000%	4.050%	EM8
2027	60,000	6.500%	3.050%	EB2	2038 (c)	105,000	4.000%	4.150%	EN6
2028	65,000	6.500%	3.050%	EC0	2039 (c)	110,000	4.250%	4.250%	EP1
2029	65,000	6.500%	3.050%	ED8	2040 (c)	115,000	4.250%	4.350%	EQ9
2030	70,000	6.500%	3.100%	EE6	2041 (c)	120,000	4.250%	4.450%	ER7
2031 (c)	75,000	6.500%	3.200%	EF3	2042 (c)	125,000	4.500%	4.500%	ES5
2032 (c)	75,000	6.500%	3.300%	EG1	2043 (c)	130,000	4.500%	4.550%	ET3
2033 (c)	80,000	4.000%	3.450%	EH9	2044 (c)	140,000	4.500%	4.650%	EU0
2034 (c)	85,000	4.000%	3.600%	EJ5	2045 (c)	145,000	4.500%	4.700%	EV8
2035 (c)	90,000	4.000%	3.800%	EK2	2046 (c)	155,000	4.500%	4.750%	EW6
2036 (c)	95,000	4.000%	3.950%	EL0					

\$695,000 Term Bonds

\$330,000 Term Bonds Due September 1, 2048 (d), Interest Rate: 4.625% (Price: \$97.856) (a), CUSIP No. 61373E EY2 (b)

\$365,000 Term Bonds Due September 1, 2050 (d), Interest Rate: 4.625% (Price: \$97.472) (a), CUSIP No. 61373E FA3 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts as set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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

This Official Statement 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 or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SWBC Investment Services, LLC (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.063820% of par, resulting in a net effective interest rate of 4.728136%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Prices and Marketability

Subject to certain restrictions regarding the "hold-the-offering-price" rule as described in the Official Notice of Sale, the delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Delivery stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue a Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B."

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of 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 "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.

RATINGS

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

The District did not apply for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating on the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating discussed above.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District	Montgomery County Municipal Utility District No. 148 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Montgomery County, Texas (the "County"). See "THE DISTRICT."
The Bonds.....	The District is issuing the \$2,745,000 Montgomery County Municipal Utility District No. 148 Unlimited Tax Road Bonds, Series 2025 (the "Bonds"). The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page hereof. The Bonds are dated November 1, 2025, and interest accrues from the date of delivery of the Bonds (on or about November 20, 2025 – the "Date of Delivery"), and is payable March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one (1) maturity. See "THE BONDS."
Redemption	Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – <i>Optional Redemption</i>." The Bonds mature serially on September 1 in each year 2026 through 2046, both inclusive. The Bonds maturing on September 1 in the years 2048 and 2050 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."
Source of Payment.....	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of Texas; the County; the City of Conroe, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record	The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring a road system to serve the District (the "Road System"). The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Authority for Issuance	At an election held within the District on November 3, 2015, voters of the District authorized the District's issuance of \$200,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System to serve the District and \$300,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; \$268,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities to serve the District (the "Utility System") and \$402,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; and \$32,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities to serve the District (the "Park System") and

\$48,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution; (ii) Chapter 7921, Texas Special District Local Laws Code, and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on November 3, 2015; and (iv) an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Bond Order"). See "THE BONDS – Authority for Issuance."

Use of Proceeds.....	Proceeds from the Bonds will be used to reimburse the Developer (herein defined) for the improvements and related costs shown under "THE BONDS – Use and Distribution of Proceeds of the Bonds." Additionally, proceeds from the sale of the Bonds will be used to pay six (6) months of capitalized interest; developer interest; and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Qualified Tax-Exempt Obligations	The Bonds have been designated as "Qualified Tax-Exempt Obligations" for financial institutions. See "LEGAL MATTERS – Qualified Tax-Exempt Obligations."
Outstanding Bonds.....	The District has previously issued one (1) series of unlimited tax bonds for the purpose of constructing or acquiring the Road System (the "Outstanding Road Bonds") and three (3) series of unlimited tax bonds for the purpose of constructing or acquiring the Utility System (the "Outstanding Utility Bonds"), in the aggregate principal amount of \$5,800,000. Of such previously issued debt, \$5,055,000 will remain outstanding at the Date of Delivery. The Outstanding Road Bonds and the Outstanding Utility Bonds are collectively referred to herein as the "Outstanding Bonds." See "THE BONDS – Authority for Issuance."
Municipal Bond Insurance.....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (BAM Insured): "AA." See "RATINGS."
Bond Counsel.....	Coats Rose, P.C., Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	Quiddity Engineering LLC, Houston, Texas.

THE DISTRICT

Description	The District was created by Senate Bill No. 2056, Acts of the 84th Texas Legislature, Regular Session, 2015, codified as Chapter 7921, Texas Special District Local Laws Code. The District annexed a 25.60 acre tract in September 2022. The District comprises approximately 108.51 total acres and is situated entirely within the County, the corporate city limits of the City, and the boundaries of Conroe Independent School District. See "THE DISTRICT – Authority" and "THE DISTRICT – Description."
Location.....	The District is located approximately 35 miles north of the City of Houston, Texas, and approximately two (2) miles southeast of the downtown of the City. The District lies approximately a half mile east of the intersection of Farm to Market Road 1314 and Loop 336. See "THE DISTRICT – Description."
Ladera Creek and Ladera Trails	The District is part of the residential community known as Ladera Creek and Ladera Trails, which lies partially within the District and partially

within Montgomery County Municipal Utility District No. 92. Ladera Creek and Ladera Trails is planned to include approximately 1,226 homes. See “DEVELOPMENT OF THE DISTRICT – Ladera Creek and Ladera Trails.”

The Developer	Land within the District is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the “Developer”). See “THE DEVELOPER.”
Development within the District	To date, approximately 103.81 acres within the District have been developed as 305 single-family lots in the following single-family residential subdivisions: Ladera Creek, Sections, 1-3 and Ladera Trails, Section 6. As of September 1, 2025, development within the District consisted of 301 completed homes (301 occupied and no unoccupied), four (4) homes under construction, and no vacant developed lots. The remainder of land within the District includes no remaining developable acres and approximately 4.70 undevelopable acres. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”
Homebuilders.....	Lennar Homes is the active homebuilder in the District. New homes being marketed in the District range in price from approximately \$220,000 to approximately \$300,000 and in size from approximately 1,300 square feet to over approximately 2,300 square feet. See “THE DEVELOPER.”

RISK FACTORS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Assessed Value.....	\$ 62,288,362	(a)
Estimated Assessed Value as of July 15, 2025.....	\$ 82,208,176	(b)
Direct Debt		
The Outstanding Bonds (at the Date of Delivery).....	\$ 5,055,000	
The Bonds.....	\$ <u>2,745,000</u>	
Total.....	\$ 7,800,000	
Estimated Overlapping Debt	\$ <u>4,873,789</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 12,673,789	(c)
Direct Debt Ratio:		
As a Percentage of the 2025 Assessed Value	12.52	%
As a Percentage of the Estimated Assessed Value as of July 15, 2025	9.49	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of the 2025 Assessed Value	20.35	%
As a Percentage of the Estimated Assessed Value as of July 15, 2025	15.42	%
Road System Debt Service Fund Balance (as of September 17, 2025)	\$ 73,560	(d)
Utility System Debt Service Fund Balance (as of September 17, 2025).....	\$ 218,419	(e)
Operating Fund Balance (as of September 17, 2025)	\$ 429,693	
Road Capital Projects Fund Balance (as of September 17, 2025).....	\$ 56,101	
Utility Capital Projects Fund Balance (as of September 17, 2025).....	\$ 96,125	
2025 Tax Rate:		
Road Debt Service.....	\$ 0.340	
Utility Debt Service.....	\$ 0.350	
Maintenance and Operations.....	\$ <u>0.210</u>	
Total.....	\$ 0.900	
Combined Average Annual Debt Service Requirement (2026–2050)	\$ 477,894	(f)
Combined Maximum Annual Debt Service Requirement (2042).....	\$ 587,850	(f)
Debt Service Tax Rate per \$100 of Assessed Value Required to Pay the Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026–2050):		
Based on the 2025 Assessed Value at 95% Tax Collections.....	\$ 0.81	
Based on the Estimated Assessed Value as of July 15, 2025, at 95% Tax Collections	\$ 0.62	
Debt Service Tax Rate per \$100 of Assessed Value Required to Pay the Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042):		
Based on the 2025 Assessed Value at 95% Tax Collections.....	\$ 1.00	
Based on the Estimated Assessed Value as of July 15, 2025, at 95% Tax Collections	\$ 0.76	

-
- (a) Represents the assessed value of all taxable property in the District as of January 1, 2025, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). Such amount includes \$324,055 of uncertified value. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this represents an estimate of the assessed value of all taxable property located in the District as of July 15, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Any funds in the Road System Debt Service Fund (herein defined) are pledged only to pay the debt service on the Outstanding Road Bonds, the Bonds, and any additional road bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Road System Debt Service Fund. Additionally, at the time of closing of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited into the Road Bond Debt Service Fund.
- (e) Any funds in the Utility System Debt Service Fund (herein defined) are pledged only to pay the debt service on the Outstanding Utility Bonds and any additional utility bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Utility System Debt Service Fund.

- (f) Represents the requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

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\$2,745,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 148

UNLIMITED TAX ROAD BONDS

SERIES 2025

INTRODUCTION

This Official Statement of Montgomery County Municipal Utility District No. 148 (the "District") is provided to furnish information with respect to the issuance by the District of the \$2,745,000 Montgomery County Municipal Utility District No. 148 Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution; (ii) Chapter 7921, Texas Special District Local Laws Code, and the general laws of the State of Texas ("Texas"), including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on November 3, 2015; and (iv) an order authorizing the issuance of the Bonds adopted by the Board of Directors (the "Board") of the District (the "Bond Order").

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

RISK FACTORS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The District is situated in the City of Houston, Texas ("Houston") Metropolitan area, and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability

to meet its debt-service obligations. As illustrated in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” as of January 1, 2025, the District’s principal taxpayers owned property located within the District the aggregate assessed value of which comprised approximately 8.95% of the District’s total assessed value. The Developer owns approximately 0.78% of the District’s assessed value as of January 1, 2025. See “THE DEVELOPER.”

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

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed value as of January 1, 2025, of all taxable property located within the District is \$62,288,362 and the estimated assessed value as of July 15, 2025, of all taxable property located within the District is \$82,208,176. See “DISTRICT DEBT.”

After issuance of the Bonds, the combined maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds (2042) will be \$587,850 and the combined average annual debt service requirement on the Outstanding Bonds and the Bonds (2026–2050) will be \$477,894. Assuming no decrease to the District’s assessed value as of January 1, 2025, tax rates of \$1.00 and \$0.81 per \$100 of assessed value at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the combined average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no decrease from the District’s estimated assessed value as of July 15, 2025, tax rates of \$0.76 and \$0.62 per \$100 of assessed value at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the combined average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2025 tax year, the District levied a total tax rate of \$0.900 per \$100 of assessed value, comprised of a road debt service tax of \$0.340, a utility debt service tax rate of \$0.350, and a maintenance and operations tax rate of \$0.210. See “DISTRICT DEBT” and “TAX DATA.”

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 Houston 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 35 miles north of the central business district of Houston. 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 “DEVELOPMENT OF THE DISTRICT.”

Competitive Nature of Residential Housing Market

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

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 procedure 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. 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, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral

or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

At an election held within the District on November 3, 2015, voters of the District authorized the District's issuance of \$200,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and \$300,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; \$268,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities to serve the District (the "Utility System") and \$402,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; and \$32,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities to serve the District (the "Park System") and \$48,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds. See "THE BONDS – Authority for Issuance."

The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Road System. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining \$263,500,000 unlimited tax bonds for the purpose of constructing or acquiring the Utility System and the \$32,000,000 unlimited tax bonds for the purpose of constructing or acquiring the Park System shall be subject to approval by the Texas Commission on Environmental Quality (the "TCEQ").

Following the issuance of the Bonds, the District will owe the Developer approximately \$606,000 for its expenditures to construct or acquire the Road System, approximately \$2,853,000 for its expenditures to construct or acquire the Utility System, and approximately \$1,081,000 for its expenditures to construct or acquire the Park System, pursuant to a reimbursement agreement. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one (1) or more districts, although no consolidation is presently contemplated by the District.

Approval of the Bonds

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

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 (8)-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 (2) separate federal ozone standards: the eight (8)-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 (8)-hour ozone standard in 2015 (the “2015 Ozone Standard”). While 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.

On October 7, 2022, the EPA published final notice reclassifying the HGB Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. The “severe” nonattainment area classification 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 attainment deadline for the HGB Area under the 2008 Ozone Standard is July 20, 2027, with an attainment year of 2026.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, effective November 7, 2022. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The attainment deadline for the HGB Area under the 2015 Ozone Standard is August 3, 2027, with an attainment year of 2026.

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 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 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.

Dependence on the Oil and Gas Industry

The volatility in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by the proceeds of a continuing direct annual ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Severe Weather Events

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

The Texas Gulf Coast area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four (4) 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.

National Weather Service Atlas 14 Rainfall Study

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the assessed value of the District or an increase in the District’s tax rate.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

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 (1) 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.

Bond Insurance Risk Factors

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

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

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

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

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

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

THE BONDS

General

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

The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page hereof. The Bonds are dated November 1, 2025, and interest accrues from the date of delivery of the Bonds (on or about November 20, 2025 – the “Date of Delivery”), and is payable March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds are fully registered bonds maturing on September 1 of the years and in the amounts shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

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

The District and the Financial Advisor (herein defined) cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (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 United States Securities and Exchange Commission (the “SEC”), 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 (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, 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 Standard & Poor’s rating of AA+. The DTC

rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Security ("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 Only System for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the

Book-Entry Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Funds

The Bond Order confirms the fund for debt service on the Bonds (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into 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, and any additional unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes and issued for the purpose of constructing or acquiring the Road System. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

The District previously confirmed its debt service fund for payment of debt service on the bonds for the Utility System, including the Outstanding Utility Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System, or for the purpose of refunding such bonds (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System, including the Outstanding Utility Bonds and any additional bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Utility System, including the Outstanding Utility Bonds and any additional bonds issued by the District for the Utility 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.

Redemption Provisions

Optional Redemption

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

Mandatory Redemption

The Bonds maturing on September 1 in the years 2048 and 2050 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$330,000 Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 160,000
September 1, 2048 (Maturity)	\$ 170,000

\$365,000 Term Bond Maturing on September 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2049	\$ 180,000
September 1, 2050 (Maturity)	\$ 185,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least 50 days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirements.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

At an election held within the District on November 3, 2015, voters of the District authorized the District's issuance of \$200,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System and \$300,000,000 principal amount of unlimited tax bonds for the refunding of such bonds; \$268,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$402,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds; and \$32,000,000

principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Park System and \$48,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution; (ii) Chapter 7921, Texas Special District Local Laws Code, and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on November 3, 2015; and (iv) the Bond Order.

Source of Payment

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

The Bonds represent the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Road System. The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.

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

Issuance of Additional Debt

The Bonds represent the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$195,955,000 for the purpose of constructing or acquiring the Road System and \$300,000,000 for the purpose of refunding such bonds \$263,500,000 for the purpose of constructing or acquiring the Utility System and \$402,000,000 for the purpose of refunding such bonds; and \$32,000,000 for the purpose of constructing or acquiring the Park System and \$48,000,000 for the purpose of refunding such bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order.

The District's issuance of the remaining \$263,500,000 unlimited tax bonds for the purpose of constructing or acquiring the Utility System and the \$32,000,000 unlimited tax bonds for the purpose of constructing or acquiring the Park System shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$606,000 for its expenditures to construct or acquire the Road System, approximately \$2,853,000 for its expenditures to construct or acquire the Utility System, and approximately \$1,081,000 for its expenditures to construct or acquire the Park System, pursuant to a reimbursement agreement. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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

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

No Arbitrage

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 49.186 of the Texas Water Code is applicable to the District and provides:

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

districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Remedies in the Event of Default

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

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the purpose of constructing or acquiring the Road System (the "Outstanding Road Bonds") and three (3) series of unlimited tax bonds for the purpose of constructing or acquiring the Utility System (the "Outstanding Utility Bonds"), in the aggregate principal amount of \$5,800,000. Of such previously issued debt, \$5,055,000 will remain outstanding at the Date of Delivery. The Outstanding Road Bonds and the Outstanding Utility Bonds are collectively referred to herein as the "Outstanding Bonds."

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Use and Distribution of Bond Proceeds

Proceeds from the Bonds will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the Bonds will be used to pay six (6) months of capitalized interest; developer interest; and other certain costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (each herein after defined). 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.

<u>Construction Costs</u>	District's Share
A. Developer Contribution Items	
1. Construction	
a. Ladera Creek Sec 2 Paving	\$ 506,024
b. Ladera Creek Sec 3 Paving	474,421
c. Ladera Creek Traffic Signal	386,888
d. Ladera Trails Sec 6 Paving	385,415
2. Engineering & Material Testing	
a. Ladera Creek Sec 2 Paving	\$ 127,107
b. Ladera Creek Sec 3 Paving	130,094
c. Ladera Creek Traffic Signal	85,976
d. Ladera Trails Sec 6 Paving	85,730
Total Non-Construction Costs	\$ 2,181,655
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 82,350
B. Fiscal Agent Fees	54,900
C. Developer Interest (5.25%)	206,128
D. Capitalized Interest (6 months)	64,928
E. Bond Discount	80,598
F. Bond Issuance Expenses	45,000
G. Bond Report Costs	17,817
H. Attorney General's Fee (0.10%)	2,745
I. Contingency (a)	8,879
Total Non-Construction Costs	\$ 563,345
TOTAL BOND ISSUE REQUIREMENT	\$ 2,745,000

(a) Represents the difference between the estimated and actual amounts of capitalized interest and bond discount.

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

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THE DISTRICT

Authority

The District was created by Senate Bill No. 2056, Acts of the 84th Texas Legislature, Regular Session, 2015, codified as Chapter 7921, Texas Special District Local Laws Code, and by a confirmation election held within the District on November 3, 2015. The District operates under Chapters 49 and 54 of the Texas Water Code and other general laws of Texas applicable to municipal utility districts and is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District also is authorized to finance road improvements and construct, develop, and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes.

Description

The District comprises approximately 108.51 total acres and is situated entirely within the County, the corporate city limits of the City, and the boundaries of Conroe Independent School District. The District is located approximately 35 miles north of Houston and approximately two (2) miles southeast of the downtown of the City. The District lies approximately a half mile east of the intersection of Farm to Market Road 1314 and Loop 336.

Management of the District

The District is governed by the Board consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four (4)-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Joey Vincent	President	2028
Penny Evans	Vice President	2026
Richard Rankin	Secretary	2028
Robin Secrest	Assistant Secretary	2026
Dale Healy	Assistant Secretary	2026

Investment Policy

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

Consultants

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

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”).

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

Auditor: The financial statements of the District as of October 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein.

Engineer: The District's engineer is Quiddity Engineering LLC. (the "Engineer").

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

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as disclosure counsel ("Disclosure Counsel") to the District. The fee to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

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

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DEVELOPMENT OF THE DISTRICT

Ladera Creek and Ladera Trails

The District is part of the residential community known as Ladera Creek and Ladera Trails, which lies partially within the District and partially within Montgomery County Municipal Utility District No. 92 ("MC MUD 92"). Ladera Creek and Ladera Trails is planned to include approximately 1,266 homes.

Status of Development within the District

To date, approximately 103.81 acres within the District have been developed as 305 single-family lots in the following single-family residential subdivisions: Ladera Creek, Sections, 1-3 and Ladera Trails, Section 6. As of September 1, 2025, development within the District consisted of 301 completed homes (301 occupied and no unoccupied), four (4) homes under construction, and no vacant developed lots. The remainder of land within the District includes no remaining developable acres and approximately 4.70 undevelopable acres.

The table below summarizes the status of development and land use within the District as of September 1, 2025:

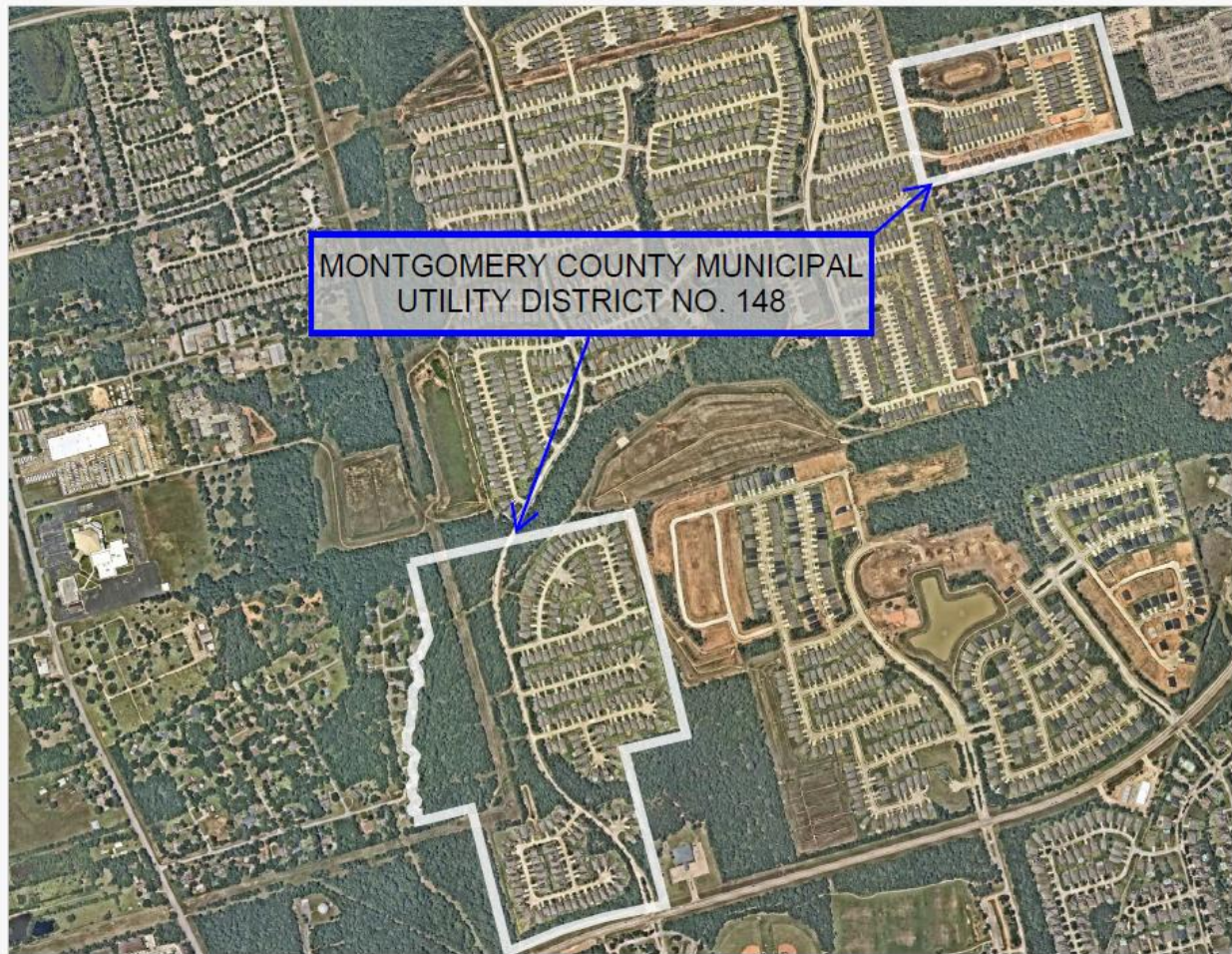
<u>Ladera Creek</u>	<u>Acreage</u>	<u>Section Lots</u>	<u>Homes Completed</u>	<u>Homes Construction</u>	<u>Vacant Lots</u>
Section 1	20.59	57	57	-	-
Section 2	30.30	74	74	-	-
Section 3	27.32	70	70	-	-
<u>Ladera Trails</u>					
Section 6	25.60	104	100	4	-
Totals	103.81	305	301	4	-
Undevelopable	4.70				
Remaining Developable	0.00				
District Total	108.51				

Homebuilders within the District

Lennar Homes is the active homebuilder in the District. New homes being marketed in the District range in price from approximately \$220,000 to approximately \$300,000 and in size from approximately 1,300 square feet to over approximately 2,300 square feet. See "THE DEVELOPER."

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AERIAL PHOTOGRAPH OF THE DISTRICT
(September 2025)



PHOTOGRAPHS TAKEN IN THE DISTRICT
(September 2025)



PHOTOGRAPHS TAKEN IN THE DISTRICT
(September 2025)



THE DEVELOPER

Role of the Developer

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

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

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

The Developer

Land within the District is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the "Developer"). The developer is indirectly owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange as LEN. Audited financial statements for Lennar Corporation can be found online at <http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by Lennar can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar Corporation. However, Lennar Corporation 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 Corporation 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 Corporation 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 Corporation is subject to change at any time. Because of the foregoing, financial information concerning the Developer and Lennar Corporation will neither be updated nor provided following issuance of the Bonds.

The Developer is also a developer in the Houston area master-planned communities of Kingwood, West Ranch, Lakemont, Graystone Hills, Lakes of Savannah, Tavola, Wildwood at Northpointe, and Fairfield, as well as numerous smaller communities, including Bay Colony West, Clearview Village, Hidden Creek, Falls at Green Meadows, and other communities.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE

The District operates pursuant to a Utility Functions and Services Allocation Agreement between the City and the District (the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity with capital charges of any kind.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until 90% of the District's Facilities have been developed and the Developers advancing funds to construct the Facilities have been reimbursed.

THE UTILITY SYSTEM

Regulation

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

Water Supply

Water supply for the District customers is provided by the City pursuant to the Utility Agreement. The District's source of water is groundwater from wells owned and operated by the City. The City's water supply system that serves the District is capable of serving 15,321 equivalent single-family connections ("ESFCs"), which is sufficient to serve the 201 developed lots in the District.

Wastewater Treatment

Pursuant to the Utility Agreement, the City has agreed to provide capacity for the ultimate wastewater discharge of the District. Wastewater treatment for the District customers is currently provided by the City's 10 million gallon per day wastewater treatment plant. The City's wastewater system that serves the District is capable of serving 28,751 ESFCs, which is sufficient to serve the 305 developed lots in the District.

Storm Water Drainage

The District naturally drains south-westerly to unnamed natural tributaries that ultimately flow into Little Caney Creek. As the District develops, streets with curb and gutter and underground storm sewers have been or will be constructed for each section. These storm sewer systems will outfall to an existing unnamed natural tributary that flows into Little Caney Creek. Prior to development, MC MUD 92 constructed a Regional Detention Pond that also serves the District, located adjacent to Little Caney Creek, north of the District.

100-Year Flood Plain

The current acreage within the District is included in the Flood Insurance Rate Map (FIRM) Number 48339C0395G, dated August 18, 2014. This map shows that a portion of the detention pond land is currently in the floodplain. The remainder of the District is not within the flood plain.

Lone Star Groundwater Conservation District

On October 10, 2017, the Lone Star Groundwater Conservation District (“Lone Star”) board of directors approved new recommendations for future increases in groundwater pumping in the County based upon the results of a three (3)-year scientific study. Lone Star commissioned its “Strategic Water Resources Planning Study” in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five (5)-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 (“GMA 14”). As part of the study, Lone Star surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in the County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The board of directors’ decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model “Run D” in the Final Report for Task 3 of the study as the board’s recommended model scenario. The board of directors also approved a recommendation that Lone Star’s general manager and technical consultants present the results of the study, including the board’s new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five (5) years, with the current five (5)-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four (4) out of the five (5) member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits Lone Star created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules Lone Star created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, Texas, ruled that, as a matter of law, the core groundwater regulation, which Lone Star imposed on large groundwater producers, is outside of Lone Star’s authority under the Texas Water Code and is not valid. Under the ruling, Lone Star could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Lone Star board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. Lone Star adopted new groundwater regulations on September 8, 2020, that repeal, supersede and replace all previously adopted rules and regulatory plans of the District.

On January 6, 2022, the GMA 14 regional regulatory representative of the TWDB approved the proposed groundwater conservation regulatory goals of Lone Star. The adopted desired future condition (“DFC”) provides “[i]n each county in GMA 14, no less than 70% median available drawdown remaining in 2080 or no more than an average of 1.0 additional foot of subsidence between 2009 and 2080.” The next DFC will be completed no later than January 5, 2027. As a result of the approval on January 6, 2022, Lone Star expects to finalize a multi-phased subsidence study to research and determine how to manage subsidence countywide most effectively and to make a strategic plan to manage subsidence going forward. The full impact of these matters on the District is not known at this time.

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General Fund Operating Statement

The following is a summary of the District's general fund activity. The summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended October				
	2024	2023	2022	2021	2020
<u>Revenues</u>					
Property taxes	\$ 151,115	\$ 165,486	\$ 152,799	\$ 131,881	\$ 106,195
Miscellaneous	<u>16,349</u>	<u>4,819</u>	<u>126</u>	<u>-</u>	<u>-</u>
Total Revenues	\$ 167,464	\$ 170,305	\$ 152,925	\$ 131,881	\$ 106,195
<u>Expenditures</u>					
Current Service Operations					
Professional Fees	\$ 35,670	\$ 28,801	\$ 44,591	\$ 37,527	\$ 54,386
Contracted Services	14,091	14,890	13,341	12,483	12,323
Repairs and Maintenance	2,820	12,914	25,225	2,003	53,896
Other	<u>18,741</u>	<u>17,313</u>	<u>15,612</u>	<u>9,693</u>	<u>11,906</u>
Total Expenditures	\$ 71,322	\$ 73,918	\$ 98,769	\$ 61,706	\$ 132,511
Revenues Over (Under) Expenditures	\$ 96,142	\$ 96,387	\$ 54,156	\$ 70,175	\$ 27,684
Fund Balance, Beginning of Year	<u>\$ 293,357</u>	<u>\$ 196,970</u>	<u>\$ 142,814</u>	<u>\$ 72,639</u>	<u>\$ 44,955</u>
Fund Balance, End of Year	\$ 389,499	\$ 293,357	\$ 196,970	\$ 142,814	\$ 72,639

THE ROAD SYSTEM

The Road System has been and will be funded with proceeds of the Bonds. See "RISK FACTORS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the City. To date, construction of the Road System includes, but is not limited to, the following: a portion of Ladera Creek Trace and the internal road improvements that serve Ladera Creek, Sections 1-3 and Ladera Trails, Section 6.

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DISTRICT DEBT

2025 Assessed Value	\$ 62,288,362	(a)
Estimated Assessed Value as of July 15, 2025	\$ 82,208,176	(b)
Direct Debt		
The Outstanding Bonds (at the Date of Delivery)	\$ 5,055,000	
The Bonds	\$ 2,745,000	
Total	\$ 7,800,000	
Estimated Overlapping Debt	\$ 4,873,789	(c)
Total Direct and Estimated Overlapping Debt	\$ 12,673,789	(c)
Direct Debt Ratio:		
As a Percentage of the 2025 Assessed Value	12.52	%
As a Percentage of the Estimated Assessed Value as of July 15, 2025	9.49	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of the 2025 Assessed Value	20.35	%
As a Percentage of the Estimated Assessed Value as of July 15, 2025	15.42	%
Road System Debt Service Fund Balance (as of September 17, 2025)	\$ 73,560	(d)
Utility System Debt Service Fund Balance (as of September 17, 2025)	\$ 218,419	(e)
Operating Fund Balance (as of September 17, 2025)	\$ 429,693	
Road Capital Projects Fund Balance (as of September 17, 2025)	\$ 56,101	
Utility Capital Projects Fund Balance (as of September 17, 2025)	\$ 96,125	
2025 Tax Rate:		
Road Debt Service	\$ 0.340	
Utility Debt Service	\$ 0.350	
Maintenance and Operations	\$ 0.210	
Total	\$ 0.900	
Combined Average Annual Debt Service Requirement (2026–2050)	\$ 477,894	(f)
Combined Maximum Annual Debt Service Requirement (2042)	\$ 587,850	(f)
Debt Service Tax Rate per \$100 of Assessed Value Required to Pay the Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026–2050):		
Based on the 2025 Assessed Value at 95% Tax Collections	\$ 0.81	
Based on the Estimated Assessed Value as of July 15, 2025, at 95% Tax Collections	\$ 0.62	
Debt Service Tax Rate per \$100 of Assessed Value Required to Pay the Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042):		
Based on the 2025 Assessed Value at 95% Tax Collections	\$ 1.00	
Based on the Estimated Assessed Value as of July 15, 2025, at 95% Tax Collections	\$ 0.76	

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- (a) Represents the assessed value of all taxable property in the District as of January 1, 2025, as provided by the Appraisal District (herein defined). Such amount includes \$324,055 of uncertified value. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this represents an estimate of the assessed value of all taxable property located in the District as of July 15, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Any funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds, the Bonds, and any additional road bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Road System Debt Service Fund. Additionally, at the time of closing of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited into the Road Bond Debt Service Fund.
- (e) Any funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Utility Bonds and any additional utility bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Utility System Debt Service Fund.
- (f) Represents the requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

Debt Service Requirement Schedule

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

Calendar Year	Outstanding Debt Service (a)	The Bonds		Total Debt Service
		Principal	Interest	
2026	\$ 363,018	\$ 45,000	\$ 101,360	\$ 509,378
2027	367,143	60,000	126,931	554,074
2028	365,853	65,000	123,031	553,884
2029	374,088	65,000	118,806	557,894
2030	366,713	70,000	114,581	551,294
2031	374,233	75,000	110,031	559,264
2032	375,928	75,000	105,156	556,084
2033	377,148	80,000	100,281	557,429
2034	372,725	85,000	97,081	554,806
2035	382,813	90,000	93,681	566,494
2036	376,975	95,000	90,081	562,056
2037	382,213	100,000	86,281	568,494
2038	381,888	105,000	82,281	569,169
2039	386,000	110,000	78,081	574,081
2040	389,444	115,000	73,406	577,850
2041	392,219	120,000	68,519	580,738
2042	399,431	125,000	63,419	587,850
2043	395,881	130,000	57,794	583,675
2044	176,800	140,000	51,944	368,744
2045	-	145,000	45,644	286,444
2046	-	155,000	39,119	291,519
2047	-	160,000	32,144	290,944
2048	-	170,000	24,744	194,744
2049	-	180,000	16,881	196,881
2050	-	185,000	8,556	193,556
Total	\$ 7,292,508	\$ 2,745,000	\$ 1,909,835	\$ 11,947,343

(a) Debt service on the Outstanding Bonds at the Date of Delivery.

Combined Average Annual Debt Service Requirement (2026–2050) \$ 477,894
Combined Maximum Annual Debt Service Requirement (2042)..... \$ 587,850

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Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt August 31, 2025	Overlapping	
		Percent	Amount
Montgomery County	\$ 516,260,000	0.06%	\$ 293,765
Conroe Independent School District	2,512,490,000	0.10%	2,486,839
City of Conroe	495,845,000	0.37%	1,833,958
Lone Star College System	436,935,000	0.06%	259,227
Total Estimated Overlapping Debt			\$ 4,873,789
Direct Debt (a)			\$ 7,800,000
Total Direct and Estimated Overlapping Debt (a)			\$ 12,673,789

(a) Includes the Outstanding Bonds and the Bonds (at the Date of Delivery).

Debt Ratios

Ratio of Direct Debt (a):

As a Percentage of the 2025 Assessed Value	12.52 %
As a Percentage of the Estimated Assessed Value as of July 15, 2025	9.49 %

Ratio of Direct and Estimated Overlapping Debt (a):

As a Percentage of the 2025 Assessed Value	20.35 %
As a Percentage of the Estimated Assessed Value as of July 15, 2025	15.42 %

(a) Includes the Outstanding Bonds and the Bonds (at the Date of Delivery).

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three (3) years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action

exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District did not adopt such exemption for the 2025 tax year. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property

before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

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% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. 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 of Texas (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.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

Disaster Exemption

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

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property 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 that 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 values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. A person over 65 years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District. The delinquent tax also accrues interest at a rate 1% for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least 65 years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are 65 years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS – Tax Collections and Foreclosure Remedies."

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." In the Bond Order, the Board covenants to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "RISK FACTORS." For the 2025 tax year, the District levied a total tax rate of \$0.900 per \$100 of assessed value, comprised of a road debt service tax of \$0.340, a utility debt service tax rate of \$0.350, and a maintenance and operations tax rate of \$0.210.

Tax Rate Limitation

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

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. Such tax is in addition to the maintenance and operation tax the District levies for maintenance and operation purposes. For the 2025 tax year, the District levied a road debt service tax rate of \$0.340 per \$100 of assessed value and a utility debt service tax rate of \$0.350 per \$100 of assessed value. See "TAX DATA – Tax Rate Distribution."

At the time of closing of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund.

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.500 per \$100 of assessed value. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any parity bonds which may be issued in the future. For the 2025 tax year, the District levied a maintenance and operations tax rate of \$0.210 per \$100 of assessed value. See "TAX DATA – Tax Rate Distribution."

Tax Exemption

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2020–2024 tax years:

Tax Year	Assessed Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 09/30	Collections 06/30/2025
2020	\$ 46,818,046	0.900	\$ 421,362	99.95%	2021	100.00%
2021	49,059,606	0.900	441,536	99.97%	2022	100.00%
2022	55,368,021	0.900	498,312	99.43%	2023	99.43%
2023	59,806,868	0.900	538,262	99.21%	2024	99.21%
2024	60,532,862	0.900	544,796	98.80% (a)	2025	98.80% (a)

(a) In process of collection.

For the 2025 tax year, the District levied a total tax rate of \$0.900 per \$100 of assessed value. Tax collections for the 2025 tax year have not yet commenced.

Tax Rate Distribution

The following table illustrates the tax rate components of the District's for the 2021–2025 tax years:

	2025	2024	2023	2022	2021
Road Debt Service	\$ 0.340	\$ 0.145	\$ 0.155	\$ 0.000	\$ 0.000
Utility Debt Service	0.350	0.465	0.490	0.600	0.590
Maintenance & Operations	0.210	0.290	0.255	0.300	0.310
Total	\$ 0.900	\$ 0.900	\$ 0.900	\$ 0.900	\$ 0.900

Analysis of Tax Base

The following table illustrates the types of property comprising the assessed value of the District (as of January 1) for the 2021–2025 tax years:

Type of Property	2025 Assessed Value (a)	2024 Assessed Value	2023 Assessed Value	2022 Assessed Value	2021 Assessed Value
Land	\$ 16,820,675	\$ 11,677,205	\$ 11,677,230	\$ 11,677,140	\$ 11,635,700
Improvements	47,288,613	51,247,168	50,606,810	47,763,990	38,543,750
Personal Property	798,577	155,000	160,985	154,149	52,413
Exemptions	(2,943,558)	(2,546,511)	(2,638,157)	(4,227,258)	(1,172,257)
Total	\$ 61,964,307	\$ 60,532,862	\$ 59,806,868	\$ 55,368,021	\$ 49,059,606

(a) Does not include \$324,055 of uncertified value.

Principal Taxpayers

The following table illustrates the principal taxpayers, types of property, and assessed values of the District (as of January 1 – certified value only) for the 2025 tax year:

Taxpayer	Type of Property	2025 Assessed Value	Percent of 2025 Assessed Value
HOMEOWNER	Land & Improvements	\$ 1,902,400	3.07%
R HEARTHSTONE LOT OPTION POOL 03 LP	Land & Improvements	649,600	1.05%
LENNAR HOMES OF TEXAS LAND & CONSTRUCTION LTD (a)	Land & Improvements	481,894	0.78%
HOMEOWNER	Land & Improvements	372,751	0.60%
HOMEOWNER	Land & Improvements	370,528	0.60%
HOMEOWNER	Land & Improvements	369,754	0.60%
HOMEOWNER	Land & Improvements	358,364	0.58%
HOMEOWNER	Land & Improvements	348,885	0.56%
HOMEOWNER	Land & Improvements	348,246	0.56%
HOMEOWNER	Land & Improvements	<u>346,000</u>	<u>0.56%</u>
Total		\$ 5,548,422	8.95%

(a) See “THE DEVELOPER.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed value that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the District’s assessed value as of January 1, 2025 (\$62,288,362) or the estimated assessed value as of July 15, 2025 (\$82,208,176). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

Combined Average Annual Debt Service Requirement (2026–2050)	\$ 477,894
Debt Service Tax Rate of \$0.81 on the 2025 Assessed Value Produces	\$ 479,309
Debt Service Tax Rate of \$0.62 on the Estimated Assessed Value as of July 15, 2025, Produces	\$ 484,206
Combined Maximum Annual Debt Service Requirement (2042)	\$ 587,850
Debt Service Tax Rate of \$1.00 on the 2025 Assessed Value Produces	\$ 591,739
Debt Service Tax Rate of \$0.76 on the Estimated Assessed Value as of July 15, 2025, Produces	\$ 593,543

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, 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. See “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement.”

Set forth below is an estimation of all 2024 taxes per \$100 of assessed value levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2024 Tax Rate
Montgomery County	\$ 0.379000
Montgomery County Hospital District	0.049700
Conroe Independent School District	0.949600
Lone Star College System District	0.107600
City of Conroe	0.427200
The District	<u>0.900000</u>
Total	\$ 2.813100

For the 2025 tax year, the District levied a total tax rate of \$0.900 per \$100 of assessed value. The other entities are in the process of levying their 2025 tax rates.

LEGAL MATTERS

Legal Opinions

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

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, as of the Date of Delivery, executed by both the President of the Board and the Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchasers 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

TAX MATTERS

Tax Exemption

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 is excludable from the gross income of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds," the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Code, as amended.

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one (1) or more maturities of the Bonds is less than the principal amount thereof or one (1) or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one (1) year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one (1) year.

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six (6)-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six (6)-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual

recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one (1) 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 (1) 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.

Qualified Tax-Exempt Obligations

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Consultants

In approving this Official Statement the District has relied upon the following consultants:

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Appraisal District and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the water, sewer and drainage system and, in particular that information included in the sections entitled “THE DISTRICT,” “DEVELOPMENT OF THE DISTRICT,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the 91st day after the “end of the underwriting period” (as defined in SEC Rule 15c2-12 of the Securities Exchange Act (the “Rule”)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification as to Official Statement

The District, acting by and through its Board 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, 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.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) 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 to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type under the heading “APPENDIX A.” The District will update and provide this information within six (6) months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available. The District’s current fiscal year end is October 31, and it must provide updated information within six (6) months after the end of each fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 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-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five (5) years, the District has complied in all material respects with its continuing disclosure undertakings pursuant to the Rule.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 148 as of the date shown on the cover of this Official Statement.

/s/ Joey Vincent
President, Board of Directors
Montgomery County Municipal Utility District No. 148

ATTEST:

/s/ Richard Rankin
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 148

APPENDIX A

Independent Auditor's Report and Financial Statements of the District



Montgomery County Municipal Utility District No. 148 Montgomery County, Texas

Independent Auditor's Report and Financial Statements

October 31, 2024



Montgomery County Municipal Utility District No. 148
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October 31, 2024

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 148
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 148 (the District), as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of October 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
March 4, 2025**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

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, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. 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, liabilities, and deferred inflows and outflows of resources of 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 assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' 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. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 year.

Although the statement of activities looks different from a commercial enterprise's statement of income, 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 Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes 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, sewer and drainage 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 assets, liabilities, and deferred inflows and outflows of resources 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 is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to 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.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2024	2023
Current and other assets	\$ 893,667	\$ 1,240,788
Capital assets	407,278	407,278
Total assets	<u>\$ 1,300,945</u>	<u>\$ 1,648,066</u>
Long-term liabilities	\$ 8,864,812	\$ 6,905,550
Other liabilities	38,163	37,158
Total liabilities	<u>8,902,975</u>	<u>6,942,708</u>
Deferred inflows of resources	<u>-</u>	<u>489,253</u>

Summary of Net Position (Continued)

	<u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	\$ (609,187)	\$ (691,894)
Restricted	323,488	216,708
Unrestricted	<u>(7,316,331)</u>	<u>(5,308,709)</u>
Total net position	<u><u>\$ (7,602,030)</u></u>	<u><u>\$ (5,783,895)</u></u>

The total net position of the District decreased by \$1,818,135, or about 31%. The majority of the decrease in net position is related to the conveyance of capital assets to another entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>
Revenues:		
Property taxes	\$ 537,712	\$ 499,233
Other revenues	<u>41,530</u>	<u>15,698</u>
Total revenues	<u>579,242</u>	<u>514,931</u>
Expenses:		
Services	85,332	86,670
Conveyance of capital assets	2,104,969	255,592
Debt service	<u>207,076</u>	<u>299,768</u>
Total expenses	<u>2,397,377</u>	<u>642,030</u>
Change in net position	(1,818,135)	(127,099)
Net position, beginning of year	<u>(5,783,895)</u>	<u>(5,656,796)</u>
Net position, end of year	<u><u>\$ (7,602,030)</u></u>	<u><u>\$ (5,783,895)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended October 31, 2024, were \$881,430, an increase of \$136,036 from the prior year.

The general fund's fund balance increased by \$96,142, due to property tax revenues exceeding service operations expenditures.

The debt service fund's fund balance increased by \$35,179, due to property tax revenues and investment income exceeding bond principal and interest requirements.

The capital projects fund's fund balance increased by \$4,715, primarily due to investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to investment income being greater than anticipated and professional fees, repairs and maintenance, and other expenditures being less than anticipated. The fund balance as of October 31, 2024, was expected to be \$307,240 and the actual end-of-year fund balance was \$389,499.

Capital Assets and Related Debt

Capital Assets

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

	<u>2024</u>	<u>2023</u>
Land improvements	<u>\$ 407,278</u>	<u>\$ 407,278</u>

During the current year, there were no additions to capital assets.

The developer within the District has constructed water, sewer, drainage, road and paving facilities on behalf of the District under the terms of contracts with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of October 31, 2024, a liability for developer-constructed capital assets of \$3,779,271 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended October 31, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 6,905,550
Increases in long-term debt	2,104,969
Decreases in long-term debt	<u>(145,707)</u>
Long-term debt payable, end of year	<u>\$ 8,864,812</u>

At October 31, 2024, the District had \$263,500,000 of bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$32,000,000 of bonds authorized, but unissued, for the purposes of acquiring, constructing and improving parks and recreational facilities within the District, and \$198,700,000 of bonds authorized, but unissued, for the purposes of acquiring, constructing and improving road and paving facilities within the District.

The District's bonds do not carry an underlying rating. The Road Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$813,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Relationship to the City of Conroe

Under existing Texas law, since the District lies wholly within the City of Conroe (the City), the District must conform to the City Ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District's consent subject to certain restrictions in the Utility Functions Agreement with the City. If the District is dissolved, the City must assume the District's assets and obligations (including the bonded indebtedness).

Montgomery County Municipal Utility District No. 148
Statement of Net Position and Governmental Funds Balance Sheet
October 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 8,505	\$ 68,791	\$ 146,667	\$ 223,963	\$ -	\$ 223,963
Short-term investments	377,965	284,555	-	662,520	-	662,520
Property taxes receivable	2,179	5,005	-	7,184	-	7,184
Interfund receivables	8,082	-	-	8,082	(8,082)	-
Capital assets:						
Land and improvements	-	-	-	-	407,278	407,278
Total assets	<u>\$ 396,731</u>	<u>\$ 358,351</u>	<u>\$ 146,667</u>	<u>\$ 901,749</u>	<u>\$ 399,196</u>	<u>\$ 1,300,945</u>

Montgomery County Municipal Utility District No. 148
Statement of Net Position and Governmental Funds Balance Sheet
October 31, 2024

(Continued)

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 5,053	\$ -	\$ -	\$ 5,053	\$ -	\$ 5,053
Accrued interest payable	-	-	-	-	33,110	33,110
Interfund payables	-	8,082	-	8,082	(8,082)	-
Long-term liabilities:						
Due within one year	-	-	-	-	165,000	165,000
Due after one year	-	-	-	-	8,699,812	8,699,812
Total liabilities	<u>5,053</u>	<u>8,082</u>	<u>-</u>	<u>13,135</u>	<u>8,889,840</u>	<u>8,902,975</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>2,179</u>	<u>5,005</u>	<u>-</u>	<u>7,184</u>	<u>(7,184)</u>	<u>-</u>
Fund Balances/Net Position						
Fund balances:						
Restricted :						
Unlimited tax bonds	-	270,596	-	270,596	(270,596)	-
Unlimited tax road bonds	-	74,668	-	74,668	(74,668)	-
Water, sewer and drainage	-	-	92,615	92,615	(92,615)	-
Roads	-	-	54,052	54,052	(54,052)	-
Unassigned	<u>389,499</u>	<u>-</u>	<u>-</u>	<u>389,499</u>	<u>(389,499)</u>	<u>-</u>
Total fund balances	<u>389,499</u>	<u>345,264</u>	<u>146,667</u>	<u>881,430</u>	<u>(881,430)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 396,731</u>	<u>\$ 358,351</u>	<u>\$ 146,667</u>	<u>\$ 901,749</u>		
Net position:						
Net investment in capital assets					(609,187)	(609,187)
Restricted for debt service					314,602	314,602
Restricted for capital projects					8,886	8,886
Unrestricted					<u>(7,316,331)</u>	<u>(7,316,331)</u>
Total net position					<u>\$ (7,602,030)</u>	<u>\$ (7,602,030)</u>

Montgomery County Municipal Utility District No. 148
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended October 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 151,115	\$ 382,331	\$ -	\$ 533,446	\$ 4,266	\$ 537,712
Penalty and interest	-	1,820	-	1,820	-	1,820
Investment income	16,349	18,527	4,834	39,710	-	39,710
Total revenues	167,464	402,678	4,834	574,976	4,266	579,242
Expenditures/Expenses						
Service operations:						
Professional fees	35,670	665	-	36,335	-	36,335
Contracted services	14,091	10,476	-	24,567	-	24,567
Repairs and maintenance	2,820	-	-	2,820	-	2,820
Other expenditures	18,741	2,750	119	21,610	-	21,610
Conveyance of capital assets	-	-	-	-	2,104,969	2,104,969
Debt service:						
Principal retirement	-	150,000	-	150,000	(150,000)	-
Interest and fees	-	203,608	-	203,608	3,468	207,076
Total expenditures/expenses	71,322	367,499	119	438,940	1,958,437	2,397,377
Excess of Revenues Over Expenditures	96,142	35,179	4,715	136,036	(136,036)	
Change in Net Position					(1,818,135)	(1,818,135)
Fund Balances/Net Position						
Beginning of year	293,357	310,085	141,952	745,394	-	(5,783,895)
End of year	\$ 389,499	\$ 345,264	\$ 146,667	\$ 881,430	\$ -	\$ (7,602,030)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 148 (the District) was created by Senate Bill Number 2056 (the Bill) of the 84th Legislature of the State of Texas, effective June 16, 2015, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage and road facilities and to provide such facilities to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

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, such as the provision of water, wastewater, drainage and other related 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 with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund —The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

Capital Projects Fund—The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2023 on the 2023 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended October 31, 2024, the tax levied in September 2024 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ended October 31, 2025. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

The District conveys its water, wastewater and drainage facilities (exclusive of its storm water detention facilities) to the City.

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recognized as a liability or asset, respectively, and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 407,278
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	7,184
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(33,110)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(8,864,812)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (8,483,460)</u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 136,036
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another governmental entity for maintenance. This is the amount of conveyance of capital assets in the current period.	(2,104,969)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	150,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	4,266
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 governmental funds.	<u>(3,468)</u>
Change in net position of governmental activities.	<u>\$ (1,818,135)</u>

Note 2. Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At October 31, 2024, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," certificates of deposit of financial institutions domiciled in Texas, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At October 31, 2024, the District had the following investments and maturities:

<u>Type</u>	<u>Maturities in Years</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Texas CLASS	<u>\$ 662,520</u>	<u>\$ 662,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At October 31, 2024, the District’s investments in Texas CLASS were rated “AAAm” by Standard & Poor’s.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at October 31, 2024, as follows:

Carrying value:	
Deposits	\$ 223,963
Investments	662,520
Total	\$ 886,483

Investment Income

Investment income of \$39,710 for the year ended October 31, 2024, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of October 31, 2024:

- Pooled investments of \$662,520 are valued at fair value per share of the pool’s underlying portfolio.

Note 3. Capital Assets

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

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable:			
Land and improvements	\$ 407,278	\$ -	\$ 407,278

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended October 31, 2024, were as follows.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 5,370,000	\$ -	\$ 150,000	\$ 5,220,000	\$ 165,000
Less discounts on bonds	138,752	-	4,293	134,459	-
	5,231,248	-	145,707	5,085,541	165,000
Due to developer	1,674,302	2,104,969	-	3,779,271	-
Total governmental activities long-term liabilities	<u>\$ 6,905,550</u>	<u>\$ 2,104,969</u>	<u>\$ 145,707</u>	<u>\$ 8,864,812</u>	<u>\$ 165,000</u>

General Obligation Bonds

	Series 2018	Series 2019
Amounts outstanding, October 31, 2024	\$1,370,000	\$1,475,000
Interest rates	2.10% to 4.00%	2.100% to 3.875%
Maturity dates, serially beginning/ending	September 1, 2025/2043	September 1, 2025/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2024
	Series 2020	Road Series 2023
Amounts outstanding, October 31, 2024	\$1,100,000	\$1,275,000
Interest rates	2.00% to 3.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2044	September 1, 2025/2047
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2025	March 1, 2029

*Or any date thereafter; callable at par plus accrued interest to the date of the redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at October 31, 2024.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 165,000	\$ 198,658	\$ 363,658
2026	170,000	193,018	363,018
2027	180,000	187,143	367,143
2028	185,000	180,852	365,852
2029	200,000	174,087	374,087
2030-2034	1,115,000	751,746	1,866,746
2035-2039	1,400,000	509,887	1,909,887
2040-2044	1,535,000	218,775	1,753,775
2045-2047	270,000	22,000	292,000
Total	<u>\$ 5,220,000</u>	<u>\$ 2,436,166</u>	<u>\$ 7,656,166</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation without limitation as to rate or amount.

Utility System tax bonds voted	\$ 268,000,000
Utility System tax bonds sold	4,500,000
Utility System refunding bonds voted	402,000,000
Parks and recreational facilities bonds voted	32,000,000
Parks and recreational facilities refunding bonds voted	48,000,000
Road and paving facilities bonds voted	200,000,000
Road and paving facilities bonds sold	1,300,000
Road and paving facilities refunding bonds voted	300,000,000

Due to Developer

The developer within the District has constructed water, sewer, drainage, and road and paving facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$3,779,271. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended October 31, 2024, the District did not levy an ad valorem debt service tax rate for the 2024 tax year. Subsequent to year end, the District levied an ad valorem debt service tax at the rate of \$0.4650 per \$100 of assessed valuation, for the 2024 tax year. The bond principal and interest requirements to be paid from the tax revenues and available resources is \$272,283.
- (B) The Road Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on bonds when due. During the year ended October 31, 2024, the District did not levy an ad valorem road debt service tax rate for the 2024 tax year. Subsequent to year end, the District levied an ad valorem road debt service tax at the rate of \$0.1450 per \$100 of assessed valuation, for the 2024 tax year. The road bond principal and interest requirements to be paid from the tax revenues and available resources is \$91,375.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

(C) In accordance with the Road Series 2023 Bond Order, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid:

Bond interest reserve, beginning of year	\$ 65,557
Deductions: Appropriation from bond interest paid Road Series 2023	<u>63,000</u>
Bond interest reserve, end of year	<u><u>\$ 2,557</u></u>

Note 6. Maintenance Taxes

At an election held November 3, 2015, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended October 31, 2024, the District did not levy an ad valorem maintenance tax. Subsequent to year end, the District levied an ad valorem maintenance tax at the rate of \$0.2900 per \$100 of assessed valuation, for the 2024 tax year. The maintenance tax will be used by the general fund to pay expenditures of operating the District.

At an election held November 3, 2015, voters authorized a road maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended October 31, 2024, the District did not levy an ad valorem road maintenance tax for the 2024 tax year. The road maintenance tax will be used by the general fund, if levied in the future, to pay expenditures for the operation and maintenance of road and paving facilities within the District.

At an election held November 3, 2015, voters authorized a recreational facilities maintenance tax not to exceed \$0.10 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended October 31, 2024, the District did not levy an ad valorem recreational facilities maintenance tax for the 2024 tax year. The recreational facilities maintenance tax will be used by the general fund, if levied in the future, to pay expenditures for the operation and maintenance of recreational facilities within the District.

Note 7. Agreement with the City of Conroe

The District operates pursuant to a Utility Functions Agreement (the Utility Agreement) between the City of Conroe (the City) and the District dated January 6, 2017. Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, sanitary sewer collection, transportation and treatment, and storm water collection and drainage systems and road and paving facilities to serve development occurring within the boundaries of the District (the Facilities). The City will provide water supply and wastewater treatment capacity to the District in consideration of the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind.

Montgomery County Municipal Utility District No. 148
Notes to Financial Statements
October 31, 2024

Under the Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. However, the Utility Agreement expressly provides that such condition is not a limitation of the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until 90% of the District's Facilities have been developed and the developer's facilities have been reimbursed by the District to the maximum extent permitted by the rules of the Commission or the City assumes any obligation for such reimbursement of the District under such rules.

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; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 9. Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$813,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Montgomery County Municipal Utility District No. 148
Budgetary Comparison Schedule – General Fund
Year Ended October 31, 2024

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 145,800	\$ 151,115	\$ 5,315
Investment income	4,000	16,349	12,349
Total revenues	149,800	167,464	17,664
Expenditures			
Service operations:			
Professional fees	57,500	35,670	21,830
Contracted services	12,600	14,091	(1,491)
Repairs and maintenance	34,735	2,820	31,915
Other expenditures	31,082	18,741	12,341
Total expenditures	135,917	71,322	64,595
Excess of Revenues Over Expenditures	13,883	96,142	82,259
Fund Balance, Beginning of Year	293,357	293,357	-
Fund Balance, End of Year	\$ 307,240	\$ 389,499	\$ 82,259

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Montgomery County Municipal Utility District No. 148
Other Schedules Included Within This Report
October 31, 2024

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11-21
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 148
Schedule of Services and Rates
Year Ended October 31, 2024

1. Services provided by the District:

☐ 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 <u>Services are provided by the City of Conroe.</u>		

Montgomery County Municipal Utility District No. 148
Schedule of General Fund Expenditures
Year Ended October 31, 2024

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	13,500	
Legal		12,593	
Engineering		9,577	
Financial advisor		-	35,670
Purchased Services for Resale			
Bulk water and wastewater service purchases			-
Regional Water Fee			-
Contracted Services			
Bookkeeping		12,086	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		2,005	14,091
Utilities			-
Repairs and Maintenance			2,820
Administrative Expenditures			
Directors' fees		6,409	
Office supplies		-	
Insurance		3,687	
Other administrative expenditures		8,645	18,741
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		-	-
Tap Connection Expenditures			-
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Debt Service Expenditures			-
Total expenditures		\$	<u>71,322</u>

Montgomery County Municipal Utility District No. 148
Schedule of Temporary Investments
October 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Texas CLASS	5.00%	Demand	\$ 377,965	\$ -
Debt Service Fund				
Texas CLASS	5.00%	Demand	209,887	-
Texas CLASS	5.00%	Demand	74,668	-
			284,555	-
Totals			\$ 662,520	\$ -

Montgomery County Municipal Utility District No. 148
Analysis of Taxes Levied and Receivable
Year Ended October 31, 2024

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes
Receivable, Beginning of Year	\$ 138,725	\$ 266,644	\$ 83,731
Additions and corrections to prior years' taxes	13,699	26,318	8,441
Adjusted receivable, beginning of year	<u>152,424</u>	<u>292,962</u>	<u>92,172</u>
Tax collections: Current year	-	-	-
Prior years	(150,245)	(288,692)	(91,437)
Receivable, end of year	<u>\$ 2,179</u>	<u>\$ 4,270</u>	<u>\$ 735</u>
Receivable, by Years			
2023	\$ 1,209	\$ 2,323	\$ 735
2022	941	1,881	-
2021	29	66	-
Receivable, end of year	<u>\$ 2,179</u>	<u>\$ 4,270</u>	<u>\$ 735</u>

Montgomery County Municipal Utility District No. 148
Analysis of Taxes Levied and Receivable
Year Ended October 31, 2024

(Continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations				
Land	\$ 10,575,230	\$ 11,213,140	\$ 11,635,700	\$ 8,453,750
Improvements	45,879,110	46,108,530	38,543,750	35,768,330
Personal property	165,384	154,118	101,526	178,721
Exemptions	<u>(2,258,241)</u>	<u>(4,047,801)</u>	<u>(1,171,722)</u>	<u>(559,829)</u>
Total property valuations	<u>\$ 54,361,483</u>	<u>\$ 53,427,987</u>	<u>\$ 49,109,254</u>	<u>\$ 43,840,972</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.4900	\$ 0.6000	\$ 0.5900	\$ 0.6200
Road debt service tax rates	0.1550	-	-	-
Maintenance tax rates*	<u>0.2550</u>	<u>0.3000</u>	<u>0.3100</u>	<u>0.2800</u>
Total tax rates per \$100 valuation	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>
Tax Levy	<u>\$ 489,253</u>	<u>\$ 480,852</u>	<u>\$ 441,983</u>	<u>\$ 394,568</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on November 3, 2015

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

Montgomery County Municipal Utility District No. 148
Schedule of Long-Term Debt Service Requirements by Years
October 31, 2024

Due During Fiscal Years Ending October 31	Series 2018		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 50,000	\$ 51,700	101,700
2026	50,000	50,200	100,200
2027	55,000	48,650	103,650
2028	55,000	46,890	101,890
2029	60,000	45,075	105,075
2030	60,000	43,035	103,035
2031	65,000	40,936	105,936
2032	65,000	38,596	103,596
2033	70,000	36,190	106,190
2034	70,000	33,600	103,600
2035	75,000	30,800	105,800
2036	75,000	27,800	102,800
2037	80,000	24,800	104,800
2038	80,000	21,600	101,600
2039	85,000	18,400	103,400
2040	90,000	15,000	105,000
2041	90,000	11,400	101,400
2042	95,000	7,800	102,800
2043	100,000	4,000	104,000
Totals	<u>\$ 1,370,000</u>	<u>\$ 596,472</u>	<u>\$ 1,966,472</u>

Montgomery County Municipal Utility District No. 148
Schedule of Long-Term Debt Service Requirements by Years
October 31, 2024

(Continued)

Due During Fiscal Years Ending October 31	Series 2019		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 50,000	\$ 50,564	100,564
2026	50,000	49,214	99,214
2027	55,000	47,839	102,839
2028	55,000	46,299	101,299
2029	60,000	44,704	104,704
2030	60,000	42,903	102,903
2031	65,000	41,104	106,104
2032	70,000	39,089	109,089
2033	70,000	36,813	106,813
2034	75,000	34,469	109,469
2035	80,000	31,844	111,844
2036	85,000	29,044	114,044
2037	85,000	26,068	111,068
2038	90,000	23,094	113,094
2039	95,000	19,831	114,831
2040	100,000	16,269	116,269
2041	105,000	12,519	117,519
2042	110,000	8,581	118,581
2043	115,000	4,456	119,456
Totals	<u>\$ 1,475,000</u>	<u>\$ 604,704</u>	<u>\$ 2,079,704</u>

Montgomery County Municipal Utility District No. 148
Schedule of Long-Term Debt Service Requirements by Years
October 31, 2024

(Continued)

Due During Fiscal Years Ending October 31	Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 35,000	\$ 35,019	70,019
2026	40,000	34,179	74,179
2027	40,000	33,179	73,179
2028	40,000	32,138	72,138
2029	45,000	31,058	76,058
2030	45,000	29,798	74,798
2031	45,000	28,494	73,494
2032	50,000	27,144	77,144
2033	50,000	25,644	75,644
2034	50,000	24,081	74,081
2035	55,000	22,519	77,519
2036	55,000	20,731	75,731
2037	60,000	18,944	78,944
2038	60,000	16,993	76,993
2039	65,000	14,969	79,969
2040	65,000	12,775	77,775
2041	70,000	10,500	80,500
2042	75,000	8,050	83,050
2043	75,000	5,425	80,425
2044	80,000	2,800	82,800
Totals	<u>\$ 1,100,000</u>	<u>\$ 434,440</u>	<u>\$ 1,534,440</u>

Montgomery County Municipal Utility District No. 148
Schedule of Long-Term Debt Service Requirements by Years
October 31, 2024

(Continued)

Due During Fiscal Years Ending October 31	Road Series 2023		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 30,000	\$ 61,375	91,375
2026	30,000	59,425	89,425
2027	30,000	57,475	87,475
2028	35,000	55,525	90,525
2029	35,000	53,250	88,250
2030	35,000	50,975	85,975
2031	40,000	48,700	88,700
2032	40,000	46,100	86,100
2033	45,000	43,500	88,500
2034	45,000	40,575	85,575
2035	50,000	37,650	87,650
2036	50,000	34,400	84,400
2037	55,000	32,400	87,400
2038	60,000	30,200	90,200
2039	60,000	27,800	87,800
2040	65,000	25,400	90,400
2041	70,000	22,800	92,800
2042	75,000	20,000	95,000
2043	75,000	17,000	92,000
2044	80,000	14,000	94,000
2045	85,000	10,800	95,800
2046	90,000	7,400	97,400
2047	95,000	3,800	98,800
Totals	<u>\$ 1,275,000</u>	<u>\$ 800,550</u>	<u>\$ 2,075,550</u>

Montgomery County Municipal Utility District No. 148
Schedule of Long-Term Debt Service Requirements by Years
October 31, 2024

(Continued)

Due During Fiscal Years Ending October 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 165,000	\$ 198,658	\$ 363,658
2026	170,000	193,018	363,018
2027	180,000	187,143	367,143
2028	185,000	180,852	365,852
2029	200,000	174,087	374,087
2030	200,000	166,711	366,711
2031	215,000	159,234	374,234
2032	225,000	150,929	375,929
2033	235,000	142,147	377,147
2034	240,000	132,725	372,725
2035	260,000	122,813	382,813
2036	265,000	111,975	376,975
2037	280,000	102,212	382,212
2038	290,000	91,887	381,887
2039	305,000	81,000	386,000
2040	320,000	69,444	389,444
2041	335,000	57,219	392,219
2042	355,000	44,431	399,431
2043	365,000	30,881	395,881
2044	160,000	16,800	176,800
2045	85,000	10,800	95,800
2046	90,000	7,400	97,400
2047	95,000	3,800	98,800
Totals	<u>\$ 5,220,000</u>	<u>\$ 2,436,166</u>	<u>\$ 7,656,166</u>

Montgomery County Municipal Utility District No. 148
Changes in Long Term Bonded Debt
Year Ended October 31, 2024

	Bond			
	Series 2018	Series 2019		
Interest rates	2.10% to 4.00%	2.100% to 3.875%		
Dates interest payable	March 1/ September 1	March 1/ September 1		
Maturity dates	September 1, 2025/2043	September 1, 2025/2043		
Bonds outstanding, beginning of the current year	\$ 1,415,000	\$ 1,520,000		
Retirements, principal	45,000	45,000		
Bonds outstanding, end of current year	\$ 1,370,000	\$ 1,475,000		
Interest paid during the current year	\$ 53,050	\$ 51,733		
Paying agent's name and address:				
Series 2018 - Amegy Bank, Houston, Texas				
Series 2019 - Zions Bancorporation, National Association, Houston, Texas				
Series 2020 - Zions Bancorporation, National Association, Houston, Texas				
Series 2023 - Zions Bancorporation, National Association, Houston, Texas				
Bond authority:	Tax Bonds	Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	\$ 268,000,000	\$ 32,000,000	\$ 200,000,000	\$ 750,000,000
Amount issued	\$ 4,500,000	\$ -	\$ 1,300,000	\$ -
Remaining to be issued	\$ 263,500,000	\$ 32,000,000	\$ 198,700,000	\$ 750,000,000
Debt service fund cash and temporary investment balances as of October 31, 2024:				\$ 353,346
Average annual debt service payment (principal and interest) for remaining term of all debt:				\$ 332,877

Issues

Series 2020	Road Series 2023	Totals
2.00% to 3.50%	4.00% to 6.50%	
March 1/ September 1	March 1/ September 1	
September 1, 2025/2044	September 1, 2025/2047	
\$ 1,135,000	\$ 1,300,000	\$ 5,370,000
35,000	25,000	150,000
<u>\$ 1,100,000</u>	<u>\$ 1,275,000</u>	<u>\$ 5,220,000</u>
<u>\$ 35,824</u>	<u>\$ 63,000</u>	<u>\$ 203,607</u>

Montgomery County Municipal Utility District No. 148
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended October 31,

	Amounts				
	2024	2023	2022	2021	2020
General Fund					
Revenues					
Property taxes	\$ 151,115	\$ 165,486	\$ 152,799	\$ 131,881	\$ 160,195
Investment income	16,349	4,819	126	-	-
Total revenues	167,464	170,305	152,925	131,881	160,195
Expenditures					
Service operations:					
Professional fees	35,670	28,801	44,591	37,527	54,386
Contracted services	14,091	14,890	13,341	12,483	12,323
Repairs and maintenance	2,820	12,914	25,225	2,003	53,896
Other expenditures	18,741	17,313	15,612	9,693	11,906
Total expenditures	71,322	73,918	98,769	61,706	132,511
Excess of Revenues Over Expenditures	96,142	96,387	54,156	70,175	27,684
Fund Balance, Beginning of Year	293,357	196,970	142,814	72,639	44,955
Fund Balance, End of Year	\$ 389,499	\$ 293,357	\$ 196,970	\$ 142,814	\$ 72,639
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
90.2 %	97.2 %	99.9 %	100.0 %	100.0 %
9.8	2.8	0.1	-	-
100.0	100.0	100.0	100.0	100.0
21.3	16.9	29.2	28.5	34.0
8.4	8.7	8.7	9.5	7.7
1.7	7.6	16.5	1.5	33.6
11.2	10.2	10.2	7.3	7.4
42.6	43.4	64.6	46.8	82.7
57.4 %	56.6 %	35.4 %	53.2 %	17.3 %

Montgomery County Municipal Utility District No. 148
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended October 31,

	Amounts				
	2024	2023	2022	2021	2020
Debt Service Fund					
Revenues					
Property taxes	\$ 382,331	330,971	291,001	289,726	215,401
Penalty and interest	1,820	798	1,769	3,729	2,581
Investment income	18,527	7,591	1,383	97	65
Other income	-	-	-	129	40
Total revenues	<u>402,678</u>	<u>339,360</u>	<u>294,153</u>	<u>293,681</u>	<u>218,087</u>
Expenditures					
Current:					
Professional fees	665	-	646	4,653	1,525
Contracted services	10,476	8,821	9,544	6,733	9,060
Other expenditures	2,750	3,466	4,089	2,180	1,223
Debt service:					
Principal retirement	150,000	125,000	115,000	110,000	80,000
Interest and fees	<u>203,608</u>	<u>172,571</u>	<u>146,370</u>	<u>148,750</u>	<u>123,218</u>
Total expenditures	<u>367,499</u>	<u>309,858</u>	<u>275,649</u>	<u>272,316</u>	<u>215,026</u>
Excess of Revenues Over Expenditures	35,179	29,502	18,504	21,365	3,061
Other Financing Sources					
General obligation bonds issued	<u>-</u>	<u>94,432</u>	<u>-</u>	<u>-</u>	<u>18,912</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	35,179	123,934	18,504	21,365	21,973
Fund Balance, Beginning of Year	<u>310,085</u>	<u>186,151</u>	<u>167,647</u>	<u>146,282</u>	<u>124,309</u>
Fund Balance, End of Year	<u>\$ 345,264</u>	<u>\$ 310,085</u>	<u>\$ 186,151</u>	<u>\$ 167,647</u>	<u>\$ 146,282</u>

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
94.9 %	97.5 %	98.9 %	98.7 %	98.8 %
0.5	0.2	0.6	1.3	1.2
4.6	2.3	0.5	0.0	0.0
-	-	-	0.0	0.0
100.0	100.0	100.0	100.0	100.0
0.2	-	0.2	1.6	0.7
2.6	2.6	3.2	2.3	4.1
0.7	1.0	1.4	0.7	0.6
37.2	36.8	39.1	37.5	36.7
50.6	50.9	49.8	50.6	56.5
91.3	91.3	93.7	92.7	98.6
8.7 %	8.7 %	6.3 %	7.3 %	1.4 %

Montgomery County Municipal Utility District No. 148
Board Members, Key Personnel and Consultants
Year Ended October 31, 2024

Complete District mailing address:	Montgomery County Municipal Utility District No. 148 c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046-0307
District business telephone number:	713.651.0111
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	July 25, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Joey Vincent	Elected 05/24- 05/28	\$ 1,547	\$ 1,008	President
Robin Secrest	Elected 05/22- 05/26	884	80	Vice President
Richard Rankin	Elected 05/24- 05/28	1,105	101	Secretary
Penny Evans	Appointed 07/22- 05/26	2,210	2,321	Assistant Secretary
Shawnda Oglesby	Appointed 09/24- 05/26	-	-	Assistant Secretary
Kathryn Snider	Appointed 07/22- 09/24	663	153	Resigned

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

Montgomery County Municipal Utility District No. 148
Board Members, Key Personnel and Consultants
Year Ended October 31, 2024

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	08/01/15	\$ 6,540	Tax Assessor/ Collector
Coats Rose, P.C.	08/18/15	12,593	General Counsel
Forvis Mazars, LLP	11/15/17	13,500	Auditor
L & S District Services, LLC	08/18/15	12,086	Bookkeeper
Montgomery Central Appraisal District	Legislative Action	4,307	Appraiser
Quiddity Engineering, LLC	08/14/15	9,577	Engineer
Robert W. Baird & Co. Incorporated	08/18/15	-	Financial Advisor
Investment Officer			
Debra R. Loggins	08/18/15	N/A	Bookkeeper

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