

OFFICIAL STATEMENT DATED OCTOBER 23, 2025

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), UNDER CURRENT LAW AND SUBJECT TO CONDITIONS DESCRIBED IN THE SECTION HEREIN "TAX EXEMPTION," INTEREST ON THE BONDS (A) IS NOT INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, (B) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM INCOME TAX, AND (C) IS TAKEN INTO ACCOUNT BY APPLICABLE CORPORATIONS (AS DEFINED IN SECTION 59(K) OF THE CODE) FOR THE ALTERNATIVE MINIMUM TAX IMPOSED ON SUCH CORPORATIONS. A HOLDER MAY BE SUBJECT TO OTHER FEDERAL TAX CONSEQUENCES AS DESCRIBED IN THE SECTION HEREIN "TAX EXEMPTION."

*The Bonds have been designated "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)..... "AA"  
See "MUNICIPAL BOND INSURANCE" and "RATING."

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
(A Political Subdivision of the State of Texas, located within Montgomery County)

**\$9,300,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2025**

**Dated: November 1, 2025**

**Interest Accrues From: Date of Delivery**

**Due: September 1, as shown below**

The \$9,300,000 Montgomery County Municipal Utility District No. 162 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") are obligations of Montgomery County Municipal Utility District No. 162 (the "District") and are not obligations of the State of Texas; the City of Conroe, Texas; Montgomery County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of Conroe, Texas; Montgomery County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds. The Bonds are dated November 1, 2025 and will accrue interest from the initial date of delivery (on or about November 20, 2025) (the "Date of Delivery"), and is payable March 1, 2026, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. 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 each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

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



The Bonds, when issued, will constitute valid and binding obligations of the District and will be 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, as further described herein. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 20, 2025.

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

## \$9,300,000 Unlimited Tax Road Bonds, Series 2025

### \$6,870,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61375L (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61375L (b)
2027	\$200,000	6.500%	3.000%	AA0	2037 (c)	\$335,000	4.000%	3.950%	AL6
2028	215,000	6.500%	3.000%	AB8	2038 (c)	355,000	4.000%	4.100%	AM4
2029	225,000	6.500%	3.000%	AC6	2039 (c)	375,000	4.125%	4.200%	AN2
2030	235,000	6.500%	3.000%	AD4	2040 (c)	395,000	4.250%	4.300%	AP7
2031 (c)	250,000	6.500%	3.000%	AE2	2041 (c)	415,000	4.250%	4.350%	AQ5
2032 (c)	260,000	4.000%	3.350%	AF9	2042 (c)	435,000	4.250%	4.400%	AR3
2033 (c)	275,000	4.000%	3.550%	AG7	2043 (c)	460,000	4.500%	4.450%	AS1
2034 (c)	290,000	4.000%	3.600%	AH5	2044 (c)	480,000	4.500%	4.500%	AT9
2035 (c)	305,000	4.000%	3.700%	AJ1	2045 (c)	510,000	4.500%	4.550%	AU6
2036 (c)	320,000	4.000%	3.800%	AK8	2046 (c)	535,000	4.500%	4.600%	AV4

### \$2,430,000 Term Bonds

\$1,150,000 Term Bonds Due September 1, 2048 (c)(d), Interest Rate: 4.250% (Price: \$93.080) (a), CUSIP No. 61375L AX0 (b)

\$1,280,000 Term Bonds Due September 1, 2050 (c)(d), Interest Rate: 4.375% (Price: \$94.148) (a), CUSIP No. 61375L AZ5 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). 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 of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS – Redemption of the Bonds – *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, audits, 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.

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.

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

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

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

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

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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 lowest bid, resulting in the lowest net effective interest rate which was tendered by SWBC Investment Services, LLC (referred to herein as the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the inside cover at a price of 97.016320% of the par value thereof, which resulted in a net effective interest rate of 4.559400%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

### **Prices and Marketability**

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

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

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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

### **Build America Mutual Assurance Company**

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services

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

#### *Capitalization of BAM*

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

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

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

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

#### *Additional Information Available from BAM*

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

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

## **RATING**

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

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

*[Remainder of Page Intentionally Left Blank]*

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The Issuer .....	Montgomery County Municipal Utility District No. 162 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."
The Issue .....	The \$9,300,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") are dated November 1, 2025 (the "Dated Date"), and interest accrues from the initial date of delivery (on or about November 20, 2025) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on September 1 in each of the years and, in the principal amounts set forth on the inside cover page.
Redemption of the Bonds.....	<p>The Bonds maturing on and after September 1, 2031, are subject to redemption, prior to maturity at the option of the District in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption</i>."</p> <p>The Bonds maturing on September 1, 2027, through September 1, 2046, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2048 and 2050 are term bonds that are also subject to mandatory sinking fund redemption provisions set out under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption</i>."</p>
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as the initial paying agent/registrars (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Source of Payment .....	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Conroe, Texas, Montgomery County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS – Source of Payment."
Use of Proceeds .....	Proceeds from the sale of the Bonds will be used by the District to reimburse Shea (herein defined) for a portion of the improvements and related costs as shown herein under "THE BONDS – Estimated Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay fifteen (15) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Estimated Use and Distribution of Bond Proceeds."
Payment Record.....	The Bonds are the first issuance of bonded indebtedness by the District.
Authority for Issuance.....	The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$178,300,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring a road system to serve the District (the "Road System"). The District's voters also authorized: (i) \$17,830,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Road System (ii) \$207,000,000 principal amount of unlimited tax bonds for the



purpose of purchasing, constructing, operating and maintaining a water, sewer, and drainage system (the "Utility System"); (iii) \$20,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System; (iv) \$115,300,000 principal amount of unlimited tax bonds for the purpose of constructing parks and recreational facilities (the "Park System"); and (iv) \$11,530,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Park System.

Following the issuance of the Bonds, \$169,000,000 principal amount of unlimited tax bonds for the Road System and \$17,830,000 principal amount of unlimited tax bonds for refunding such bonds; \$207,000,000 principal amount of unlimited tax bonds for the Utility System and \$20,700,000 principal amount of unlimited tax bonds for refunding such bonds; and \$115,300,000 principal amount of unlimited tax bonds for the Park System and \$11,530,000 principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued.

The Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Bonds (the "Bond Resolution"), adopted by the Board of Directors of the District on the date of the sale of the Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by the participating voters. See "THE BONDS – Authority for Issuance."

Qualified Tax-Exempt Obligations .....	The Bonds have been designated "qualified tax-exempt obligations" within the meaning of section 265(b) of the Internal Revenue Code of 1986, as amended.
Municipal Bond Insurance.....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Rating .....	S&P Global Ratings (BAM Insured): "AA." See "RATING."
Bond Counsel .....	The Muller Law Group, PLLC, Sugar Land, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
District Engineer.....	Elevation Land Solutions, Conroe, Texas.
Paying Agent/Registrar .....	BOKF, NA, Dallas, Texas.

#### **THE DISTRICT**

Description.....	The District is a political subdivision of the State of Texas, and was created pursuant to House Bill No. 4678, Chapter 1261, Special District Local Laws Code, Acts of the 86th Legislature, Regular Session 2019, codified as Chapter 8090, Special District Local Laws Code. (the "Act"). The District operates under the Act, Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas. The District is comprised of approximately 312.30 acres.
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Montgomery County Municipal Utility District No. 163 (the "Master District") serves as the provider of regional water, wastewater, drainage, road, and park and recreational facilities and services to its approximate 1,825-acre service area (the "Service Area") currently comprised of the District, Montgomery County Municipal Utility District No. 191 ("MUD 191"), Montgomery County Municipal Utility District No. 192 ("MUD 192"), Montgomery County Municipal Utility District No. 194 ("MUD 194"), Montgomery County Municipal Utility District No. 261 ("MUD 261"), and Montgomery County Municipal Utility District No. 262 ("MUD 262").

The Master District only provides facilities and services to those municipal utility districts within the Service Area that have approved the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") after approval of the Master District Contract by such district's voters at an election called for such purpose.

After voter and district approval of the Master District Contract by a district within the Service Area, and the commencement of services from the Master District to such district, such district is deemed a "Participant." Currently, only the District and MUD 191 have approved the Master District Contract and are Participants in the Master District system.

Location..... The District is located in southeast Montgomery County, approximately nine (9) miles southeast of the central business district of the City of Conroe, Texas, near the intersection of FM1314 and State Highway 242. The District is located entirely within the extraterritorial jurisdiction of the City of Conroe and within Conroe Independent School District.

Sub-Service Areas (East Service Area & West Service Area)..... The Master District Contract defines two sub-service areas within the Service Area. These sub-service areas consist of the "East Service Area," generally consisting of approximately 853 acres of land within the Service Area east of FM 1314, and the "West Service Area," generally consisting of approximately 957 acres of land within the Service Area west of FM 1314, all as more particularly described in the Master District Contract. The East Service Area includes MUD 191 and MUD 192 (although MUD 192 is not currently a Participant because it is not active or developing and has not approved the Master District Contract) and is being primarily developed by Pulte (herein defined) and Meritage (defined herein) as the Maveria master-planned community.

The West Service Area includes the District, MUD 194, MUD 261, and MUD 262 (although, MUD 194, MUD 261, and MUD 262 are not currently Participants because they have not approved the Master District Contract) and is being primarily developed by Shea as the Evergreen master-planned community. The District and MUD 191 are collectively referred to herein as the "Participants."

Land within the Service Area may only be included in a sub-service area if the land is or will receive a benefit from the Master District Facilities specific to that sub-service area. The Master District Contract recognizes that the Master District Facilities and services to be provided to the East Service Area and West Service Area are unique in that the sub-service areas are served with separate and distinct Master District Facilities (the "Master District East Service Area System Facilities" and the "Master District West System Facilities," respectively), with the exception of the shared regional drainage channel that flows west to east and bisects the two sub-service areas ("Regional Channel") 100% of the capital costs of the Regional Channel east of FM1314 are paid by the East Service Area, and 65% of the capital costs of the Regional Channel west of FM1314 are paid by the East Service Area and 35% by the West Service Area.)

The Master District Contract provides that the Service Area or any sub-service area may not be modified to decrease in size unless approved by the Master District and all Participants within the Service Area or the participants within the respective sub-service area, and, if the Master District has issued bonds, the approval of the bondholders is required pursuant to the terms of the Master District's Bonds (herein defined). The Service Area or the respective sub-service area may not be enlarged without the consent of at least two-thirds of the boards of directors of the districts that are: (A) included in the Service Area or sub-service area as proposed to be enlarged; or (B) served by the Master District Facilities or services provided in the Master District Contract.

Outstanding Master District Bonds..... The Master District has previously issued one series of contract revenue bonds for the East Service Area: \$7,965,000 Contract Revenue Bonds (East Service Area), Series 2023, and it is anticipated that the Master District will sell additional series of bonds for facilities serving the East Service Area. Currently, as the only Participant in the East Service Area, MUD 191 pro-rata share of Master District Bonds for the East Service Area is 100%. The principal amount of outstanding Master District Bonds for the East Service Area is \$7,820,000 as of November 20, 2025. The Master District anticipates

selling approximately \$10,000,000 in Contract Revenue Bonds for the East Service Area in the fourth quarter of 2025.

The Master District has previously issued one series of contract revenue bonds for the West Service Area: \$9,590,000 Contract Revenue Bonds (West Service Area), Series 2024. The principal amount of outstanding Master District Bonds for the West Service Area is \$9,335,000 as of November 20, 2025. Currently, as the only Participant in the West Service Area, the District's pro-rata share of Master District Bonds for the West Service Area is 100%.

Both MUD 194 and MUD 261 have called elections for November 4, 2025, where the voters of such districts will be considering approval of the Master District Contract, among other items. If the respective voters of MUD 194 and MUD 261 approve the Master District Contract, the boards of directors for such districts approve the Master District Contract, and the Master District commences the provision of services to such districts, then MUD 194 and MUD 261 will become Participants and will be required to pay their respective pro-rata shares of the Master District's West Service Area bonds based upon each Participant's pro-rata share of taxable assessed value compared to the total taxable assessed value of all Participants in the West Service Area. MUD 194 and MUD 261 are not anticipated to become Participants before the fourth quarter of 2026.

Developer..... Shea Homes Houston, LLC, a Delaware limited liability company ("Shea" or the "Developer"), is the developer of approximately 200 acres of residential land within the District, which is included in the West Service Area being marketed as Evergreen. Shea is a thinly capitalized limited liability company whose assets consist primarily of the land in the District and the receivables due from the District for development costs. The Developer is a wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership ("Shea Homes"), consisting of J.F. Shea, G.P., a Delaware general partnership, as general partner and a number of limited partners that are comprised of entities and trusts that are under the common control of the Shea family members. Shea Homes, Inc., a Delaware corporation, is the parent company of the entities mentioned above. Shea Homes is one of the nation's largest privately owned homebuilders. See "THE DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."

Development within the District ..... To date, approximately 200.80 acres (696 lots) have been developed into the single-family residential subdivision of Evergreen, Sections 1-8 within the District. Approximately 26.00 acres (141 lots) are currently under development as Sections 9 and 10. As of September 25, 2025, 319 homes were complete (223 occupied, 96 unoccupied homes), 52 homes were under construction, and 325 lots were developed and vacant. The remaining land within the District consists of approximately 33.60 undevelopable acres, approximately 25.30 acres for collector road right-of-way, approximately 18.00 acres for a school site, and approximately 8.60 acres for a recreation center site. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

Homebuilders Within the District ..... Current homebuilders within the District include Chesmar Homes, Highland Homes, Shea Homes, and Perry Homes. Prices of new homes being constructed within the West Service Area range in list price from approximately \$310,000 to over \$800,000 and in size from approximately 1,600 square feet to over 4,900 square feet. See "THE DEVELOPER – Homebuilders within the District."

Strategic Partnership Agreement..... The Master District and the Participants have entered into strategic partnership agreements with the City of Conroe, Texas (the “City”) (the “Strategic Partnership Agreements”). The Strategic Partnership Agreements provide, among other things, the terms under which the City can annex or dissolve the District. The City may also permit the District to continue to exist upon annexation for limited purposes, such as payment of the Bonds. Once the District is dissolved (if it is dissolved by the City), the Bonds and any contract payments required by the Master District Contract to pay the District’s pro-rata share of debt service on bonds issued by the Master District will become obligations of the City. See “THE BONDS – Annexation – Strategic Partnership Agreements.”

**RISK FACTORS**

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

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# **SELECTED FINANCIAL INFORMATION**

## **(UNAUDITED)**

2025 Certified Taxable Assessed Valuation.....	\$	97,952,544	(a)
Estimated Taxable Valuation as of July 1, 2025 .....	\$	170,705,241	(b)
Direct Debt:			
The Bonds .....	\$	9,300,000	
Total .....	\$	9,300,000	
Estimated Overlapping Debt .....	\$	14,091,984	(c)
Total Direct and Estimated Overlapping Debt .....	\$	23,391,984	
Direct Debt Ratios:			
As a percentage of 2025 Certified Taxable Assessed Valuation .....		9.49 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2025 .....		5.45 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2025 Certified Taxable Assessed Valuation.....		23.88 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2025 .....		13.70 %	
Road System Debt Service Fund Balance (as of delivery of the Bonds) .....	\$	526,633	(d)
General Fund Balance (as of September 25, 2025) .....	\$	36,987	(e)
2025 Tax Rate per \$100 of Assessed Taxable Valuation			
Utility System Debt Service.....	\$	0.00	
Contract Tax .....	\$	0.67	
Maintenance and Operations .....	\$	0.68	
Total.....	\$	1.35	(f)
Average Annual Debt Service Requirements on the Bonds (2026-2050) .....	\$	626,667	(g)
Maximum Annual Debt Service Requirements on the Bonds (2050).....	\$	683,656	(g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay			
Average Annual Debt Service Requirements on the Bonds (2026-2050) at 95% Tax Collections:			
Based Upon 2025 Certified Taxable Assessed Valuation (\$97,952,544).....	\$	0.68	
Based Upon the Estimated Taxable Valuation as of July 1, 2025 (\$170,705,241) .....	\$	0.39	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay			
Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:			
Based Upon 2025 Certified Taxable Assessed Valuation (\$97,952,544).....	\$	0.74	
Based Upon the Estimated Taxable Valuation as of July 1, 2025 (\$170,705,241) .....	\$	0.43	
Number of Single-Family Homes in the District (including 52 homes in various stages of construction) as of September 25, 2025.....		371	

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District") as of January 1, 2025. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025, through July 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) This includes \$9,590,000 principal amount of Contract Revenue Bonds issued by the Master District (herein defined) for the West Service Area (herein defined), which the District is responsible for levying a contract tax to pay its pro-rata share of, which, as the only Participant currently in the West Service Area, is 100%. See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."

(d) Represents fifteen (15) months of capitalized interest to be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for road purposes (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for water, wastewater, and drainage facilities.

(e) See "RISK FACTORS - Operating Funds."

(f) The District is authorized to levy separate debt service taxes for its road debt and its water, wastewater, drainage, and park debt, both of which are unlimited as to rate or amount. See "THE BONDS - Authority for Issuance."

(g) See "DISTRICT DEBT - Debt Service Requirement Schedule."

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

### **\$9,300,000 UNLIMITED TAX ROAD BONDS SERIES 2025**

#### **INTRODUCTION**

This Official Statement of Montgomery County Municipal Utility District No. 162 (the “District”) is provided to furnish information with respect to the issuance by the District of its \$9,300,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District; and (iii) a resolution adopted by the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”).

There follows in this Official Statement descriptions of the Bonds, the Developer (herein defined), the Bond Resolution 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 Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing, and handling charges.

#### **RISK FACTORS**

##### **General**

The Bonds, which are obligations of the District and not of the State of Texas, Montgomery County, Texas (the “County”), the City of Conroe, Texas (the “City”), or any political subdivision 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 (see “THE BONDS – Source of Payment”). 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 rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy 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.

**Developer:** There is no commitment by or legal requirement of the Developer or any other landowner to 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. There are approximately 325 vacant developed lots remaining within the District. See “DEVELOPMENT OF THE DISTRICT.”

**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 taxable assessed valuation of which comprised approximately 40.08% of the District's total assessed valuation. Shea Homes Houston, LLC (“Shea” or the “Developer”), the developer within the District, owns approximately 25.12% of the District's total assessed valuation. In the event that the Developer, any principal 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 Resolution to maintain any specified amount of surplus in its interest and sinking fund.

**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 2025 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is \$97,952,544, and the Estimated Taxable Valuation as of July 1, 2025, is \$170,705,241. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$683,656 (2050) and the average annual debt service requirements on the Bonds will be \$626,667 (2026-2050). Assuming no increase to nor decrease from the 2025 Certified Taxable Assessed Valuation, tax rates of \$0.74 and \$0.68 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of July 1, 2025, tax rates of \$0.43 and \$0.39 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, 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 \$1.35 per \$100 of assessed valuation composed of \$0.68 per \$100 of assessed valuation for maintenance and operation and \$0.67 per \$100 of assessed valuation for contract tax.

### **Increase in Costs of Building Materials**

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

### **Vacant Developed Lots**

As of September 25, 2025, approximately 325 vacant developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

### **Operating Funds**

The District levied a 2025 maintenance tax of \$0.68 per \$100 of assessed valuation. The District's general fund balance as of September 25, 2025, was \$36,987. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developer, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "DISTRICT AND MASTER DISTRICT UTILITY SYSTEM – General Fund Operating Statement."

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

The housing industry in the Houston metropolitan area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein 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 Collection Limitations**

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 procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

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

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

### **Marketability**

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

### **Operational Expenses (Master District)**

In addition to paying their own respective operational expenses, the Participants (defined herein) are obligated to pay monthly charges to the Master District (defined herein) for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities ("Monthly Charges"). The Monthly Charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve. The reserve is 25% of the general fund budget in years one (1) through three (3), 50% in years four (4) through six (6), and 100% thereafter. To date, the Master District has waived the reserve requirement as its agreements with the Developer requires the Developer to advance operating funds to the Master District in the event of a shortfall.

The Master District Contract provides that the Master District will separately budget the maintenance and operations revenues and expenditures for the East Service Area (defined herein) and the West Service Area (defined herein), establishing the Monthly Charges for the fiscal year. In addition to costs directly attributable to the Master District Facilities (defined herein) and services provided to each specific sub-service area, the budgets for the two sub-service area, include certain general administrative expenses, such as certain legal fees, fees for consultant attendance at meetings, booking and auditing fees, etc. The Master District Contract recognizes that the Master District Facilities and services to be provided to the East Service Area and West Service Area are unique in that the sub-service areas are served with separate and distinct Master District Facilities (the "Master District East Service Area System Facilities" and the "Master District West System Facilities," respectively), with the exception of the shared regional drainage channel that flows west to east and bisects the two sub-service areas ("Regional Channel") 100% of the capital costs of the Regional Channel east of FM1314 are paid by the East Service Area, and 65% of the capital costs of the Regional Channel west of FM1314 are paid by the East Service Area and 35% by the West Service Area.)

Generally, each Participant in either the East Service Area or West Service Area is responsible for paying its pro-rata share of Monthly Charges attributable to such sub-service area. Currently, as there is only one Participant per sub-service area, each Participant pays 100% of the Monthly Charges, as budgeted by the Master District, for its respective sub-service area, billed monthly in 12 equal installments (i.e., Montgomery County Municipal Utility District No. 191 ("MUD 191") pays for 100% of the Master District's budgeted costs in the West Service Area, and the District (defined herein) pays for 100% of



the Master District's budgeted costs in the West Service Area). Once there is more than one participant in a sub-service area, the Monthly Charges due from the Participants in the sub-service area shall be based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of cost per equivalent single-family residential connection ("ESFC"), and each Participant's monthly payment amount due to the Master District of Monthly Charges will be calculated by multiplying the number of ESFCs reserved to each Participant on the first day of the previous month by the unit cost per ESFC.

### **Future Debt**

The District has the right to issue the remaining: (i) \$207,000,000 authorized but unissued unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Utility System and \$20,700,000 for the further purpose of refunding such bonds; (ii) \$169,000,000 authorized but unissued unlimited tax bonds for the purpose of constructing or acquiring the Road System and \$17,830,000 for the further purpose of refunding such bonds; and (iii) \$115,300,000 authorized but unissued unlimited tax bonds for the purpose of constructing the Park System and \$11,530,000 for the further purpose of refunding such bonds (see "THE BONDS – Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The issuance of such unlimited tax bonds for Utility System purposes and Park System purposes are also subject to approval by the Texas Commission on Environmental Quality ("TCEQ").

After reimbursement with the proceeds of the Bonds, the District will owe Shea approximately \$7,600,000 for the existing Road System and Utility System facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's assessed value, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of taxable property in the District.

The District's Engineer (herein defined) estimates that the aforementioned \$207,000,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District.

The District's Engineer estimates that the aforementioned \$169,000,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all road facilities to provide service to all of the currently undeveloped portions of the District.

### **Overlapping Master District Debt and Contract Tax**

The District is part of a regional system (the "Master District System") in which Montgomery County Municipal Utility District No. 163 (the "Master District" or "MUD 163") provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road, and park facilities ("Master District Facilities") to serve other municipal utility districts (each a "Participant") that (i) are located within the Master District's service area consisting of approximately 1,825 acres in the vicinity of FM1314 and SH242 ("Service Area"), and (ii) have entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as supplemented or amended (the "Master District Contract") with MUD 163, and (iii) are receiving services from the Master District. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road, and park facilities.

There are currently five additional municipal utility districts other than the Master District and the District within the Service Area. These are Montgomery County Municipal Utility District Nos. 191, 192, 194, 261, and 262; however, Montgomery County Municipal Utility District Nos. 192 ("MUD 192"), 194 ("MUD 194"), 261 ("MUD 261"), and 262 ("MUD 262") are not actively developing (with the exception of MUD 261), have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. Montgomery County Municipal Utility District No. 191 ("MUD 191") has entered into the Master District Contract and is a Participant.

The Master District's Service Area is divided between two Sub-Service Areas, the "East Service Area" and the "West Service Area." The East Service Area generally corresponds with that portion of the Service Area east of FM1314, and the West Service Area generally corresponds with that portion of the Service Area west of FM1314. Currently, Master District Facilities provided by MUD 163 in the East Service Area serve MUD 191 (and may serve MUD 192 if and when such district begins developing and approves the Master District Contract), and Master District Facilities provided by MUD 163 in the West Service Area serve the District (and may serve MUD 194, MUD 261, and MUD 262 if and when such districts begin developing and approve the Master District Contract).

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants ("Master District Bonds"). Such bonds will be issued as contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries

sufficient to pay their respective pro-rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars, and trustees utilized in connection with the Master District Bonds, the principal, interest, and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of Participant.

A Participant's pro-rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants, either within the Service Area or Sub-Service Area, as applicable. At this time, as the only Participant in the West Service Area, the District's share of debt service payments on any Master District Bonds issued to finance only Master District Facilities serving the West Service Area would be 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District. The principal amount of outstanding Master District Bonds for the West Service Area is \$9,335,000 as of November 20, 2025.

Currently, as the only Participant in the West Service Area, the District's pro-rata share of Master District Bonds for the West Service Area is 100%. Both MUD 194 and MUD 261 have called elections for November 4, 2025, where the voters of such districts will be considering approval of the Master District Contract, among other items. If the respective voters of MUD 194 and MUD 261 approve the Master District Contract, the boards of directors for such districts approve the Master District Contract, and the Master District commences the provision of services to such districts, then MUD 194 and MUD 261 will become Participants and will be required to pay their respective pro-rata shares of the Master District's West Service Area bonds based upon each Participant's pro-rata share of taxable assessed value compared to the total taxable assessed value of all Participants in the West Service Area. MUD 194 and MUD 261 are not anticipated to become Participants before the fourth quarter of 2026.

The Master District anticipates selling approximately \$10,000,000 in Contract Revenue Bonds for the East Service Area in the fourth quarter of 2025.

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

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

#### **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.

#### **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

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

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

#### **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.

### **Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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 District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

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

### **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

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

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

## **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.

## **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 (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 insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

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

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 has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING." 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 Bonds are dated November 1, 2025 (the "Dated Date"). The Bonds will accrue interest from the initial date of delivery (on or about November 20, 2025) (the "Date of Delivery"), with interest payable March 1, 2026, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, 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 are 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such 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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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, the Bond certificates will be printed and delivered to DTC.

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

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

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

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

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar, and the successor paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor paying agent/registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State 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 Dallas, Texas. 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 maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days.

No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

## Redemption of the Bonds

### *Optional Redemption*

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

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

### *Mandatory Redemption*

The Bond 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:

#### \$1,150,000 Term Bonds Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 560,000
September 1, 2048 (Maturity)	\$ 590,000

#### \$1,280,000 Term Bonds Maturing on September 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2049	\$ 625,000
September 1, 2050 (Maturity)	\$ 655,000

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

## 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 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.

## Payment Record

The Bonds are the first issuance of bonded indebtedness by the District.



## **Authority for Issuance**

The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$178,300,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring the Road System. The District's voters also authorized: (i) \$17,830,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Road System (ii) \$207,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Utility System; (iii) \$20,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System; (iv) \$115,300,000 principal amount of unlimited tax bonds for the purpose of constructing the Park System; and (iv) \$11,530,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Park System.

Following the issuance of the Bonds, \$169,000,000 principal amount of unlimited tax bonds for the Road System and \$17,830,000 principal amount of unlimited tax bonds for refunding such bonds; \$207,000,000 principal amount of unlimited tax bonds for the Utility System and \$20,700,000 principal amount of unlimited tax bonds for refunding such bonds; and \$115,300,000 principal amount of unlimited tax bonds for the Park System and \$11,530,000 principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued.

The Bonds are issued pursuant to (i) the Bond Resolution; (ii) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by the participating voters.

## **Outstanding Master District Bonds**

The Master District has previously issued one series of contract revenue bonds for the East Service Area: \$7,965,000 Contract Revenue Bonds (East Service Area), Series 2023, and it is anticipated that the Master District will sell additional series of bonds for facilities serving the East Service Area in the future. MUD 191 is required, pursuant to the Master District Contract, to pay its pro-rata share of the debt service obligations of any Master District Bonds issued for the facilities serving the East Service Area. Currently, as the only Participant in the East Service Area, MUD 191 pro-rata share of Master District bonds for the East Service Area is 100%. The principal amount of outstanding Master District Bonds for the East Service Area is \$7,820,000 as of November 20, 2025.

The Master District has previously issued one series of contract revenue bonds for the West Service Area: \$9,590,000 Contract Revenue Bonds (West Service Area), Series 2024. The District is required, pursuant to the Master District contract, to pay its pro-rata share of the debt service obligations of any Master District Bonds issued for the facilities serving the West Service Area. Currently, as the only Participant in the West Service Area, the District's pro-rata share of Master District Bonds for the West Service Area is 100%. The principal amount of outstanding Master District Bonds for the West Service Area is \$9,335,000 as of November 20, 2025.

The Master District anticipates selling approximately \$10,000,000 in Contract Revenue Bonds for the East Service Area in the fourth quarter of 2025.

## **Source of Payment**

The Bonds are payable from the proceeds of a continuing direct ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Appraisal District (herein defined). Tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund (defined below), as applicable, and used solely to pay principal of and interest on the Bonds, any additional bonds payable from taxes which may be issued for the Road System, and fees of the Paying Agent/Registrar. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on the bonds issued for the purpose of constructing the Utility System or Park System or any other bonds that the District may hereafter issue for the Utility System or Park System.

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

## **Funds**

The Bond Resolution creates a fund for debt service on Bonds issued for the Road System, and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Fifteen (15) months of capitalized interest on the Bonds will be deposited from the proceeds from the 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 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 other duly authorized bonds issued for the Road System payable in whole or in part from taxes. 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 for the Road System payable in whole or in part from taxes, and to pay any anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

## **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. On May 7, 2022, the District's voters authorized the issuance of the following: \$207,000,000 principal amount of unlimited tax bonds for the Utility System and \$20,700,000 for the further purpose of refunding such bonds; and \$178,300,000 principal amount of unlimited tax bonds for the Road System and \$17,830,000 for the further purpose of refunding such bonds. On May 7, 2022, the District's voters authorized the issuance of \$115,300,000 principal amount of unlimited tax bonds for the Park System and \$11,530,000 for the further purpose of refunding such bonds. The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$178,300,000 principal amount of unlimited tax bonds authorized by the District's voters for the Road System.

Following the issuance of the Bonds, \$207,000,000 principal amount of unlimited tax bonds for the Utility System, \$169,000,000 principal amount of unlimited tax bonds for the Road System; and \$115,300,000 principal amount of unlimited tax bonds for the Park System, will remain authorized and unissued. After reimbursement with the proceeds of the Bonds, the District will owe Shea approximately \$7,600,000 for the existing Road System and Utility System facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. The District has developed a park plan, and both the park plan and park bonds have been approved by District voters. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of park bonds sold by the District may not exceed one percent of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District.

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 plan and bonds for such purposes by the qualified voters in the District; (b) approval of the fire plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

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

## **Annexation – Strategic Partnership Agreements**

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies within the extraterritorial jurisdiction of the City. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement under Section 43.0751, Texas Local Government Code between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

The District and the City entered into a strategic partnership agreement (the "SPA"). Pursuant to the SPA, which sets forth the terms of full purpose annexation, the City will not annex the property in the District until the earlier of (i) at least 95% of the developable acreage within the District has been developed with water, wastewater, drainage, road, park, and recreational facilities, and the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ for such facilities; or (ii) December 31, 2047. If the District is annexed and dissolved, the City will assume the District's assets and obligations (including the Bonds). The City may also annex the District and permit it to continue to exist as a limited district for the purpose of continuing to pay the District's bonds and providing its services. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

The SPA allows for annexation for certain limited purposes, such as the provision of certain municipal services. If such

limited purpose annexation were to occur, the District would continue to retain all of its rights, powers, and authority, except the City's right to provide certain services. See "DEVELOPMENT OF THE DISTRICT."

### **Consolidation**

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

### **No Arbitrage**

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

### **Defeasance**

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

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

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

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

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

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

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

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

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

#### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payments of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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### Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used by the District to reimburse Shea for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the Bonds will be used to pay fifteen (15) 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. 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>Amount</u>
<b><u>CONSTRUCTION COSTS</u></b>	
A. Developer Contribution Items	
1. Evergreen Section No. 1 Paving	\$ 294,797
2. Evergreen Section No. 2 Paving	3,292,074
3. Evergreen Section No. 3 Paving	2,139,037
4. Engineering	314,033
5. Materials Testing	146,865
6. Land Acquisition Costs	<u>850,895</u>
Total Developer Contribution Items	\$ 7,037,700
 <b>TOTAL CONSTRUCTION COSTS (80.34% of BIR)</b>	 \$ 7,037,700
 <b><u>NON-CONSTRUCTION COSTS</u></b>	
A. Legal Fees	\$ 216,000
B. Fiscal Agent Fees	186,000
C. Interest Costs	
1. Developer Interest	914,982
2. Capitalized Interest	526,633
D. Bond Discount	277,482
E. Bond Issuance Costs	50,769
F. Attorney General's Fee (0.10%)	9,300
G. Road Bond Report Costs	25,000
H. Contingency (a)	<u>56,134</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	\$ 2,262,300
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b><u>\$ 9,300,000</u></b>

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

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## THE DISTRICT

### Authority

The District is a political subdivision of the State of Texas, and was created pursuant to House Bill No. 4678, Chapter 1261, Special District Local Laws Code, Acts of the 86th Legislature, Regular Session 2019, codified as Chapter 8090, Special District Local Laws Code. (the “Act”). The District operates under the Act, Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas. The District is comprised of approximately 312.30 acres.

The District 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 construct, develop, and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and to construct roads.

### 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-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Nick Ozuna, Jr.	President	2026
Edward J. Cummins	Vice President	2028
Donabel Quizon	Secretary/ Treasure	2026
Sharon Hoyt	Assistant Vice President	2028
Hoan Le	Assistant Secretary	2028

### Investment Policy

The District has adopted an Investment Policy (the “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 Policy. The 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 (“FDIC”) 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 operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

#### ***Tax Assessor/Collector***

The District’s Tax Assessor/Collector is Utility Tax Service, LLC (the “Tax Assessor/Collector”). The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Montgomery Central Appraisal District (the “Appraisal District”) and bills and collects such levy.

#### ***Bookkeeper***

The District’s bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

#### ***System Operator***

The District’s operator is Municipal District Services, LLC, Katy, Texas.

***Auditor***

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ended September 30, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT."

***Engineers***

The District's engineer is Elevation Land Solutions, Conroe, Texas (the "Engineer").

***Bond & General Counsel***

The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, 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 issuance and delivery of the Bonds. The Muller Law Group, PLLC, Sugar Land, Texas, also serves as general counsel to the District on matters other than the issuance of bonds.

***Disclosure Counsel***

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

***Financial Advisor***

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

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## DEVELOPMENT OF THE DISTRICT

### Status of Development within the District

To date, approximately 200.80 acres (696 lots) have been developed into the single-family residential subdivision of Evergreen, Sections 1-8 within the District. Approximately 26.00 acres (141 lots) are currently under development as Sections 9 and 10. As of September 25, 2025, 319 homes were complete (223 occupied, 96 unoccupied homes), 52 homes were under construction, and 325 lots were developed and vacant. The remaining land within the District consists of approximately 33.60 undevelopable acres, approximately 25.30 acres for collector road right-of-way, approximately 18.00 acres for a school site, and approximately 8.60 acres for a recreation center site.

The following is a status of construction of single-family housing within the District as of September 25, 2025:

	Acreage	Lots	Completed Homes	Homes Under Construction	Remaining Vacant Developed Lots
<b>Evergreen</b>					
Section 1	2.90	10	8	1	1
Section 2	35.00	150	137	8	5
Section 3	42.40	106	91	3	12
Section 4	18.30	77	21	10	46
Section 5	12.20	34	12	4	18
Section 6	31.00	107	32	17	58
Section 7	31.20	76	18	4	54
Section 8	27.80	136	0	5	131
Total	200.80	696	319	52	325
Acres Under Construction	26.00				
Collector Road Right-of-Way	25.30				
Remaining Undeveloped but Developable Acres	-				
School Site	18.00				
Recreation Center Site	8.60				
Undevelopable Acres	33.60				
Total	312.30				

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## **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, developer, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater, and drainage facilities in a 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 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.

Neither the Developer, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has 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 their 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.

### **Developer**

The developer of the District is Shea Homes Houston, LLC, a Delaware limited liability company (the "Developer") which currently owns approximately 25 acres of residential land within the District, which is located within the West Service Area being marketed as Evergreen. Shea is a thinly capitalized limited liability company whose assets consist primarily of the land in the District and the receivables due from the District for development costs. The Developer is a wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership ("Shea Homes"), consisting of J.F. Shea, G.P., a Delaware general partnership, as general partner and a number of limited partners that are comprised of entities and trusts that are under the common control of the Shea family members. Shea Homes, Inc., a Delaware corporation, is the parent company of the entities mentioned above. Shea Homes is one of the nation's largest privately owned homebuilders. The Developer currently has no outstanding land acquisition loans or development loans secured by its land holdings in the District. According to the Developer, all of its development activities are funded by Shea Homes.

### **Homebuilders within the District**

Current homebuilders within the District include Chesmar Homes, Highland Homes, Shea Homes, and Perry Homes. Prices of new homes being constructed within the West Service Area range in list price from approximately \$310,000 to over \$800,000 and in size from approximately 1,600 square feet to over 4,900 square feet.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken October 2025)



# **DISTRICT DEBT**

## **Debt Service Requirement Schedule**

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

Calendar Year	The Bonds		Total Combined Debt Service
	Principal	Interest	
2026	\$ -	\$ 328,853	\$ 328,853
2027	200,000	421,306	621,306
2028	215,000	408,306	623,306
2029	225,000	394,331	619,331
2030	235,000	379,706	614,706
2031	250,000	364,431	614,431
2032	260,000	348,181	608,181
2033	275,000	337,781	612,781
2034	290,000	326,781	616,781
2035	305,000	315,181	620,181
2036	320,000	302,981	622,981
2037	335,000	290,181	625,181
2038	355,000	276,781	631,781
2039	375,000	262,581	637,581
2040	395,000	247,113	642,113
2041	415,000	230,325	645,325
2042	435,000	212,688	647,688
2043	460,000	194,200	654,200
2044	480,000	173,500	653,500
2045	510,000	151,900	661,900
2046	535,000	128,950	663,950
2047	560,000	104,875	664,875
2048	590,000	81,075	671,075
2049	625,000	56,000	681,000
2050	655,000	28,656	683,656
Total	\$ 9,300,000	\$ 6,366,665	\$ 15,666,665

Average Annual Debt Service Requirements the Bonds (2026-2050) ..... \$ 626,667

Maximum Annual Debt Service Requirements on the Bonds (2050)..... \$ 683,656

**Contract Revenue Debt Service Requirement Schedule (Master District West Service Area Bonds)**

The following schedule sets forth the District's pro-rata share (currently 100%) of the principal and interest requirements for the Master District's outstanding West Service Area bonds. Totals may not sum due to rounding.

Contract Revenue Bonds (West Service Area)			
Year	Principal	Interest	Total New Debt Service
2026	\$225,000	\$ 437,513	\$ 662,513
2027	235,000	422,888	657,888
2028	245,000	407,613	652,613
2029	255,000	391,688	646,688
2030	265,000	375,113	640,113
2031	280,000	357,888	637,888
2032	290,000	339,688	629,688
2033	305,000	328,088	633,088
2034	320,000	315,888	635,888
2035	335,000	303,088	638,088
2036	345,000	289,269	634,269
2037	365,000	275,038	640,038
2038	380,000	259,525	639,525
2039	395,000	243,375	638,375
2040	415,000	226,588	641,588
2041	435,000	208,950	643,950
2042	450,000	190,463	640,463
2043	475,000	170,775	645,775
2044	495,000	149,400	644,400
2045	515,000	127,125	642,125
2046	540,000	103,950	643,950
2047	565,000	79,650	644,650
2048	590,000	54,225	644,225
2049	615,000	27,675	642,675
Total	\$9,335,000	\$ 6,085,456	\$15,420,456

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## Bonded Indebtedness

2025 Certified Taxable Assessed Valuation.....	\$	97,952,544	(a)
Estimated Taxable Valuation as of July 1, 2025 .....	\$	170,705,241	(b)
Direct Debt:			
The Bonds .....	\$	9,300,000	
Total .....	\$	9,300,000	
Estimated Overlapping Debt .....	\$	14,091,984	(c)
Total Direct and Estimated Overlapping Debt .....	\$	23,391,984	
Direct Debt Ratios:			
As a percentage of 2025 Certified Taxable Assessed Valuation .....		9.49 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2025 .....		5.45 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2025 Certified Taxable Assessed Valuation.....		23.88 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2025 .....		13.70 %	
Road System Debt Service Fund Balance (as of delivery of the Bonds) .....	\$	526,633	(d)
General Fund Balance (as of September 25, 2025).....	\$	36,987	(e)
2025 Tax Rate per \$100 of Assessed Taxable Valuation			
Utility System Debt Service.....	\$	0.00	
Contract Tax .....	\$	0.67	
Maintenance and Operations .....	\$	0.68	
Total.....	\$	1.35	(f)
Average Annual Debt Service Requirements on the Bonds (2026-2050) .....	\$	626,667	(g)
Maximum Annual Debt Service Requirements on the Bonds (2050).....	\$	683,656	(g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay			
Average Annual Debt Service Requirements on the Bonds (2026-2050) at 95% Tax Collections:			
Based Upon 2025 Certified Taxable Assessed Valuation (\$97,952,544).....	\$	0.68	
Based Upon the Estimated Taxable Valuation as of July 1, 2025 (\$170,705,241) .....	\$	0.39	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay			
Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:			
Based Upon 2025 Certified Taxable Assessed Valuation (\$97,952,544).....	\$	0.74	
Based Upon the Estimated Taxable Valuation as of July 1, 2025 (\$170,705,241) .....	\$	0.43	
Number of Single-Family Homes (including 52 homes in various stages of construction) as of September 25, 2025 .....		371	

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District") as of January 1, 2025. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025, through July 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) This includes \$9,590,000 principal amount of Contract Revenue Bonds issued by the Master District (herein defined) for the West Service Area (herein defined), which the District is responsible for levying a contract tax to pay its pro-rata share of, which, as the only Participant currently in the West Service Area, is 100%. See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Represents fifteen (15) months of capitalized interest to be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for road purposes (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for water, wastewater, and drainage facilities.
- (e) See "RISK FACTORS - Operating Funds."
- (f) The District is authorized to levy separate debt service taxes for its road debt and its water, wastewater, drainage, and park debt, both of which are unlimited as to rate or amount. See "THE BONDS - Authority for Issuance."
- (g) See "DISTRICT DEBT - Debt Service Requirement Schedule."

## Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed 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 as of August 31, 2025	Estimated Overlapping	
		Percent	Amount
Montgomery County	\$ 516,260,000	0.09%	\$ 461,964
Conroe ISD	2,512,490,000	0.16%	3,910,718
Lone Star College System	436,935,000	0.03%	129,301
Montgomery County Emergency Service District No. 9 (b)	-	-	-
Montgomery County Hospital District (b)	-	-	-
Master District – West Service Area	9,590,000	100.00%	<u>9,590,000</u>
Total Estimated Overlapping Debt			\$ 14,091,984
The District			\$ 9,300,000 (a)
Total Direct & Estimated Overlapping Debt			\$ 23,391,984

(a) Includes the Bonds.

(b) Taxing jurisdiction with no outstanding debt.

## Debt Ratios

	% of 2025 Assessed Taxable Valuation	% of the Estimated Taxable Valuation as of July 1, 2025
Direct Debt (a)	9.49%	5.45%
Direct and Estimated Overlapping Debt (a)	23.88%	13.70%

(a) Includes the Bonds.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes (see "RISK FACTORS – Future Debt"). In the Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." See "TAX DATA – Maintenance Tax."

### Property Tax Code and County-wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the District. Such appraisal values will be subject to review and change by 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.

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District 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 of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be 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 the State to exempt up to twenty percent (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 before July 1. The District has never adopted a 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 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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 ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Montgomery 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 one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space, land, and timberland.

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

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

## **District and Taxpayer Remedies**

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

### 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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

**Low Tax Rate District:** Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate District.

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

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

### **District's Rights in the Event of Tax Delinquencies**

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

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

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES". The Board has in its Bond Resolution covenanted 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 \$1.35 per \$100 of assessed valuation composed of \$0.67 per \$100 of assessed value for contract tax, and \$0.68 per \$100 of assessed value for maintenance and operation.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance (general):	\$1.50 per \$100 Assessed Taxable Valuation.
Maintenance (roads):	\$0.25 per \$100 Assessed Taxable Valuation.

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future, as well as its pro-rata share of any Master District bonds. See "Tax Rate Distribution" below.

The District also has the authority to levy and collect an annual ad valorem tax for the maintenance of roads within the District, if such a maintenance tax is authorized by the District's voters. At the maintenance tax election conducted on May 7, 2022, voters of the District authorized the Board to levy a maintenance tax for roads at a rate not to exceed \$0.25 per \$100 of assessed valuation.

### **Additional Penalties**

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

### **Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2025 Certified Taxable Assessed Valuation (\$97,952,544) or the Estimated Taxable Valuation as of July

1, 2025 (\$170,705,241). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2026-2050) .....	\$	626,667
Debt Service Tax Rate of \$0.68 on 2025 Certified Taxable Assessed Valuation produces.....	\$	632,773
Debt Service Tax Rate of \$0.39 on Estimated Valuation as of January 1, 2025, produces .....	\$	632,463
Maximum Annual Debt Service Requirement (2050).....	\$	683,656
Debt Service Tax Rate of \$0.74 on 2025 Certified Taxable Assessed Valuation produces.....	\$	688,606
Debt Service Tax Rate of \$0.43 on Estimated Valuation as of January 1, 2025, produces .....	\$	697,331

### Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdictions	2025 Tax Rate Per \$100 of Assessed Valuation
The District	\$ 1.350000
Montgomery County	0.377000
Montgomery County Emergency Service District No. 9	0.100000
Conroe Independent School District	0.949600
Lone Star College System	0.107600
Montgomery County Hospital District	<u>0.047300</u>
Total Tax Rate	\$ 2.931500

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

### Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections as of 09/22/2025
2022	\$ 541,729	\$1.350	\$ 7,313	100.00%
2023	7,874,447	1.350	106,305	98.75%
2024	46,753,643	1.350	631,174	98.21%
2025	97,952,544	1.350	1,322,359	(b)

(a) See "Tax Rate Distribution."

(b) In the process of collections.

### Tax Rate Distribution

	2025	2024	2023	2022
Utility System Debt Service	\$0.000	\$0.000	\$0.000	\$0.000
Contract Tax	\$0.670	\$0.695	\$0.000	\$0.000
Maintenance and Operations	<u>\$0.680</u>	<u>\$0.655</u>	<u>\$1.350</u>	<u>\$1.350</u>
Total	\$1.350	\$1.350	\$1.350	\$1.350

### Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2022-2025 tax rolls as certified by the Appraisal District.

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation
Land	\$ 51,327,599	\$ 23,981,136	\$ 7,902,411	\$ 541,729
Improvements	50,591,517	24,891,052	0	0
Personal Property	1,426,015	362,330	0	0
Exemption	<u>(5,392,587)</u>	<u>(2,480,875)</u>	<u>(27,964)</u>	<u>(0)</u>
Total	\$ 97,952,544	\$ 46,753,643	\$ 7,874,447	\$ 541,729

### Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2025 tax year.

Taxpayer	Assessed Valuation 2025 Tax Roll	Percentage of 2025 Assessed Valuation
Shea Homes Houston LLC (a) (b)	\$ 24,609,884	25.12%
Perry Homes LLC (b)	4,448,643	4.54%
Chesmar Homes LLC (b)	3,418,419	3.49%
Highland Homes Houston LLC (b)	1,920,032	1.96%
Homeowner	896,042	0.91%
Homeowner	891,338	0.91%
Homeowner	818,845	0.84%
Homeowner	761,113	0.78%
Homeowner	756,465	0.77%
Homeowner	<u>741,633</u>	<u>0.76%</u>
Total	\$ 39,262,414	
Percent of Respective Tax Roll		40.08%

(a) See "THE DEVELOPER – Developer."

(b) See "THE DEVELOPER – Homebuilders within the District."

## DISTRICT AND MASTER DISTRICT UTILITY SYSTEM

### General – The System

The District is part of the Master District System in which the Master District provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road, and park facilities (“Master District Facilities”) to serve each Participant receiving Master District services that (i) is located within the Service Area, and (ii) has entered into the Master District Contract with MUD 163. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road, and park facilities.

There are currently five additional municipal utility districts other than the Master District and the District within the Service Area. These are MUD 162, MUD 192, MUD 194, MUD 261, and MUD 262; however, MUD 192, MUD 194, MUD 261, and MUD 262 are not actively developing (with the exception of MUD 261), have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. The District and MUD 191 have entered into the Master District Contract and are Participants.

The Master District’s Service Area is divided between two Sub-Service Areas, the “East Service Area” and the “West Service Area.” The East Service Area generally corresponds with that portion of the Service Area east of FM1314, and the West Service Area generally corresponds with that portion of the Service Area west of FM1314. Currently, Master District Facilities provided by MUD 163 in the East Service Area serve the District (and may serve MUD 192 if and when such district begins developing and approves the Master District Contract), and Master District Facilities provided by MUD 163 in the West Service Area serve MUD 162 (and may serve MUD 194, MUD 261, and MUD 262 if and when such districts begin developing and approve the Master District Contract). Both MUD 194 and MUD 261 have called elections for November 4, 2025, requesting voter approval of the Master District Contract, among other items.

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants (“Master District Bonds”). Such bonds are secured by contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro-rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars, and trustees utilized in connection with the Master District Bonds, the principal, interest, and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant’s contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

A Participant’s pro-rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants, either within the Service Area or Sub-Service Area, as applicable. At this time, as the only Participant in the East Service Area, the District’s share of debt service payments on any Master District Bonds issued to finance only Master District Facilities serving the East Service Area would be 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District’s operational expenses. General operating expenses of the Master District are split 50/50 between the East Service Area and West Service Area, with each Participants’ share being calculated based upon its pro-rata share of the total number of water connections located within the boundaries of all Participants in the respective Sub-Service Area. Operations and maintenance charges for the regional drainage channel that serves both the East and West Service Areas are allocated as follows: 100% of operation and maintenance costs attributable to that portion of the drainage channel east of FM1314 are paid by Participant(s) in the East Service Area, and costs attributable to that portion of the channel west of FM1314 are split 55% East Service Area and 45% West Service Area. The costs of other services provided by the Master District to its Participants that are specific to one sub-service area are paid 100% by the Participant(s) in such sub-service area based on a district’s pro-rata share of connections in the sub-service area.

Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District’s other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the regional services rendered by the Master District under the Master District Contract. Currently, as the only Participant in the East Service Area, the District is responsible for paying all of the administrative expenses of the Master District attributable to such service area, which it pays in the form of “Monthly Charges” invoiced monthly by the Master District.

## **Regulation**

According to the District's Engineer, the District's System has been designed in accordance with accepted engineering practices and the requirement of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Conroe, Montgomery County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's waterworks and sewage treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

## **Water Facilities**

The Master District provides potable water supply to the District pursuant to the Master District Contract. The water supply facilities currently consist of one (1) water plant. Water Plant No. 1 consists of two (2) 500 gpm water wells; one (1) 15,5748-gallon hydro-pneumatic tank; one (1) 247,217-gallon ground storage tank; and four (4) 900 gpm booster pumps and are capable of serving 778 equivalent single family connections (ESFC), which is sufficient to serve the 367 ESFCs in the District.

## **Wastewater Facilities**

The Master District provides major wastewater collection and treatment facilities to the Service Area pursuant to the Master District Contract. The wastewater supply facilities currently consist of an 0.2 MGD wastewater treatment plant facility leased from AUC Group, Inc. by the Master District. and are capable of serving 800 equivalent single family connections (ESFC), which is sufficient to serve the 367 ESFCs in the District.

## **Master Drainage**

The Master District also provides the Service Area with regional drainage facilities (including the Regional Channel), which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines ("Storm-Water Drainage Facilities"). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

## **Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities**

Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants, including the District.

## **Road System**

The Road System, including the projects being funded with the proceeds of the Bonds, serves residents of the District by providing access to the roads within the Evergreen development and surrounding areas. The major thoroughfares and collectors will be financed, designed and construct by Montgomery County Municipal Utility District No. 163. The District will finance, design and construct the internal Road System in phases as development progresses. All roads financed by the District lie within the public right-of-way and are maintained or will be maintain by Montgomery County once they are accepted by the County.

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## General Fund Operating Statement

The following is a summary of the District's operating fund activity for the fiscal years ended September 30, 2022-2025. The summary below has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements for fiscal years ended September 30, 2022, through September 30, 2024. The figures from October 1, 2024 to September 1, 2025, are unaudited and were provided by the bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	09/30/25 (a)	As of September 30,		2022
	09/30/24	2023		
<b>Revenues</b>				
Property Taxes	\$ 300,761	\$ 104,503	\$ 7,313	\$ -
Water Service	166,498	61,550	7,701	-
Wastewater Service	185,268	56,035	5,263	-
Penalties and Interest	6,045	2,737	485	-
Tap Connection and Inspection	594,551	332,255	214,795	-
Miscellaneous	-	4,070	1,868	-
Total Revenues	\$ 1,253,124	\$ 561,150	\$ 237,425	\$ -
<b>Expenditures</b>				
Professional Fees	\$ 140,985	\$ 151,175	\$ 88,459	\$ 79,611
Contracted Services	146,983	88,677	38,439	9,743
Master District Fees	960,620	813,814	234,985	-
Repairs and Maintenance	193,083	63,216	15,945	-
Other	520,182	266,493	130,604	29,936
Capital Outlay	3,305	-	31,307	29,465
Total Expenditures	\$ 1,965,159	\$ 1,383,375	\$ 539,739	\$ 148,755
Excess (Deficiency) of Revenues over Expenditures	\$ (712,035)	\$ (822,225)	\$ (302,314)	\$ (148,755)
Developer Advances	\$ 723,000	\$ 775,500	\$ 342,000	\$ 180,000
Net Change in Fund Balance	\$ 10,965	\$ (46,725)	\$ 39,686	\$ 31,245
Beginning Fund Balance	\$ 24,206	\$ 70,931	\$ 31,245	\$ (-)
Ending Fund Balance	\$ 35,171	\$ 24,206	\$ 70,931	\$ 31,245

(a) Unaudited from October 1, 2024, to September 1, 2025. Provided by the bookkeeper.

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## **LEGAL MATTERS**

### **Legal Opinions**

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheading "- Book-Entry-Only System" and "Estimated Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX EXEMPTION," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

### **No Material Adverse Change**

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

## **TAX EXEMPTION**

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See *"Statement on the Role of Customary Practice in the Preparation*



*and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and *"Legal Opinion Principles"*, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

### **Alternative Minimum Tax**

*Individuals* – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

*Applicable Corporations* – Bond Counsel's opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021, that exceeds \$1 billion.

### **Other Tax Matters**

The Bonds have not been designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

### **Original Issue Discount**

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

### **Bond Premium**

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond

premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

### **Qualified Tax-Exempt Obligations**

The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b) of the Internal Revenue Code of 1986, as amended.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, 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, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB established the Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain updated financial information and operating data to EMMA annually. In addition, the District has agreed to provide information with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the Bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A," and with respect to Shea, is found in "TAX DATA—Principal Taxpayers." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to EMMA.

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-month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or

other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The District has agreed to update information and to provide notices of 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 above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

#### **Compliance with Prior Undertakings**

This is the first issuance of Bonds by the District.

### **OFFICIAL STATEMENT**

#### **General**

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

The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, Houston, Texas, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2024, audited financial statements.

#### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the Utility System, Road System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" "DEVELOPMENT OF THE DISTRICT" and "DISTRICT AND MASTER DISTRICT UTILITY SYSTEM" has been provided by Elevation Land Solutions and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Utility Tax Service, LLC. and the Appraisal District. Such information has been included herein in

reliance upon such firm's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

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

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

#### **Updating of Official Statement**

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

#### **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 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. 162 as of the date shown on the first page hereof.

/s/ Nick Ozuna, Jr.  
President, Board of Directors  
Montgomery County Municipal Utility District No. 162

ATTEST:

/s/ Donabel Quizon  
Secretary, Board of Directors  
Montgomery County Municipal Utility District No. 162

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2024**

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

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# ***McCall Gibson Swedlund Barfoot Ellis PLLC***

*Certified Public Accountants*

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

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

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Montgomery County Municipal Utility District No. 162  
Montgomery County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 162 (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

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

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

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



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

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

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

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

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

*McCall Gibson Swedlund Barfoot Ellis PLLC*

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

January 23, 2025

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 162's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2024. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for customer service revenues, maintenance tax revenues, developer advances, operating costs and general expenditures.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$10,182,798 as of September 30, 2024. A portion of the District's net position reflects its net investment in capital assets (e.g. water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services. The following is a comparative analysis of government-wide changes in net position:

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 112,120	\$ 106,679	\$ 5,441
Capital Assets (Net of Accumulated Depreciation)	6,191,821	4,309,321	1,882,500
Total Assets	\$ 6,303,941	\$ 4,416,000	\$ 1,887,941
Due to Developer	\$ 16,400,728	\$ 13,601,362	\$ (2,799,366)
Other Liabilities	86,011	35,748	(50,263)
Total Liabilities	\$ 16,486,739	\$ 13,637,110	\$ (2,849,629)
Net Position:			
Net Investment in Capital Assets	\$ (8,911,407)	\$ (8,770,041)	\$ (141,366)
Unrestricted	(1,271,391)	(451,069)	(820,322)
Total Net Position	\$ (10,182,798)	\$ (9,221,110)	\$ (961,688)

The following table provides a summary of the District's operations for the year ended September 30, 2024, and the inception period ended September 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 106,406	\$ 7,313	\$ 99,093
Charges for Services	452,577	228,244	224,333
Other Revenues	4,070	1,868	2,202
Total Revenues	\$ 563,053	\$ 237,425	\$ 325,628
Expenses for Services	1,524,741	9,309,780	7,785,039
Change in Net Position	\$ (961,688)	\$ (9,072,355)	\$ 8,110,667
Net Position, Inception	(9,221,110)	(148,755)	(9,072,355)
Net Position, Ending	\$ (10,182,798)	\$ (9,221,110)	\$ (961,688)

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's General Fund fund balance as of September 30, 2024, was \$24,206, a decrease of \$46,725 from the prior year. The District used property tax revenues, service revenues and developer advances to pay for current year administrative and operating costs.

**CAPITAL ASSETS**

Capital assets as of September 30, 2024, total \$6,191,821 (net of accumulated depreciation) and include the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Vehicles	\$ 19,967	\$ 26,246	(6,279)
Water System	1,295,271	831,182	464,089
Wastewater System	1,778,405	1,206,829	571,576
Drainage System	3,098,178	2,245,064	853,114
Total Net Capital Assets	<u>\$ 6,191,821</u>	<u>\$ 4,309,321</u>	<u>\$ 1,882,500</u>

**LONG-TERM DEBT**

As of September 30, 2024, the District did not have any outstanding long-term bond debt.

As of September 30, 2024, the District recorded an amount due to Developer of \$16,400,728 which consists of payments for completed projects and operating advances made by the Developer.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current year and amended it to increase projected revenues and projected expenditures, as well as developer advances. Actual revenues were \$71,240 more than budgeted revenues, actual expenditures were \$12,776 more than budgeted expenditures, and developer advances were \$105,189 less than budgeted advances. This resulted in a negative budget variance of \$46,725. See the budget to actual comparison for more information.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 162, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2024**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 78,729	\$	\$ 78,729
Investments	749		749
Receivables:			
Property Taxes	1,903		1,903
Service Accounts	30,449		30,449
Prepaid Costs	290		290
Capital Assets (Net of Accumulated Depreciation)		6,191,821	6,191,821
<b>TOTAL ASSETS</b>	<u>\$ 112,120</u>	<u>\$ 6,191,821</u>	<u>\$ 6,303,941</u>
 <b>LIABILITIES</b>			
Accounts Payable	\$ 49,816	\$	\$ 49,816
Due to Developers		16,400,728	16,400,728
Security Deposits	36,195		36,195
<b>TOTAL LIABILITIES</b>	<u>\$ 86,011</u>	<u>\$ 16,400,728</u>	<u>\$ 16,486,739</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 1,903	\$ (1,903)	\$ -0-
 <b>FUND BALANCE</b>			
Nonspendable:			
Prepaid Costs	\$ 290	\$ (290)	\$
Unassigned	23,916	(23,916)	
<b>TOTAL FUND BALANCE</b>	<u>\$ 24,206</u>	<u>\$ (24,206)</u>	<u>\$ -0-</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u>\$ 112,120</u>		
 <b>NET POSITION</b>			
Net Investment in Capital Assets		\$ (8,911,407)	\$ (8,911,407)
Unrestricted		(1,271,391)	(1,271,391)
<b>TOTAL NET POSITION</b>		<u>\$ (10,182,798)</u>	<u>\$ (10,182,798)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

Total Fund Balance - Governmental Fund	\$	24,206
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		6,191,821
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		1,903
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	<u>\$ (16,400,728)</u>	<u>(16,400,728)</u>
Total Net Position - Governmental Activities		<u>\$ (10,182,798)</u>

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 104,503	\$ 1,903	\$ 106,406
Water Service	61,550		61,550
Wastewater Service	56,035		56,035
Penalty and Interest	2,737		2,737
Tap Connection and Inspection Fees	332,255		332,255
Miscellaneous Revenues	4,070		4,070
<b>TOTAL REVENUES</b>	<u>\$ 561,150</u>	<u>\$ 1,903</u>	<u>\$ 563,053</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 151,175	\$	\$ 151,175
Contracted Services	88,677		88,677
Master District Fees	813,814		813,814
Repairs and Maintenance	63,216		63,216
Depreciation		141,366	141,366
Other	266,493		266,493
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 1,383,375</u>	<u>\$ 141,366</u>	<u>\$ 1,524,741</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (822,225)</u>	<u>\$ (139,463)</u>	<u>\$ (961,688)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	\$ 775,500	\$ (775,500)	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	\$ (46,725)	\$ 46,725	\$
<b>CHANGE IN NET POSITION</b>		(961,688)	(961,688)
<b>FUND BALANCE/NET POSITION - OCTOBER 1, 2023</b>	<u>70,931</u>	<u>(9,292,041)</u>	<u>(9,221,110)</u>
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2024</b>	<u><u>\$ 24,206</u></u>	<u><u>\$ (10,207,004)</u></u>	<u><u>\$ (10,182,798)</u></u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net Change in Fund Balance - Governmental Fund	\$	(46,725)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		1,903
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated, and the depreciation expense is recorded in the Statement of Activities.		(141,366)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(775,500)
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Change in Net Position - Governmental Activities	\$	<u>(961,688)</u>
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The accompanying notes to the financial  
statements are an integral part of this report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 1. CREATION OF DISTRICT**

The District was created by special act of the 86<sup>th</sup> Texas Legislature, effective June 14, 2019, codified as Chapter 8090, Texas Special District Local Laws Code. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on January 27, 2022.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

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

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for customer service revenues, maintenance tax revenues, developer advances, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

Budgeting

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

Pensions

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

Measurement Focus

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

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

Measurement Focus (Continued)

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

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

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

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

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

Accounting Estimates

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$78,729 and the bank balance was \$130,140. The District was not exposed to custodial credit risk at year-end.

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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

As of September 30, 2024, the District had the following investments and maturities

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 749	\$ 749

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment in Texas CLASS was rated AAAM by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**NOTE 4. MAINTENANCE TAX**

On May 7, 2022, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is used by the General Fund to pay expenditures of operating the District’s waterworks and wastewater system. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$1.35 per \$100 of assessed valuation, which resulted in a tax levy of \$106,406 on the adjusted taxable valuation of \$7,881,947 for the 2023 tax year.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 4. MAINTENANCE TAX (Continued)**

On May 7, 2022, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. The road maintenance tax is to be used by the General Fund to pay expenditures of operating the District's roads. As of September 30, 2024, the District has not levied a road maintenance tax.

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

**NOTE 5. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage over the last three years.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2024:

	October 1, 2023	Increases	Decreases	September 30, 2024
<b>Capital Assets Subject to Depreciation</b>				
Vehicles	\$ 31,307	\$	\$	\$ 31,307
Water System	854,531	492,119		1,346,650
Wastewater System	1,240,736	610,372		1,851,108
Drainage System	2,308,125	921,375		3,229,500
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 4,434,699</u>	<u>\$ 2,023,866</u>	<u>\$ -0-</u>	<u>\$ 6,458,565</u>
<b>Accumulated Depreciation</b>				
Vehicles	\$ 5,061	\$ 6,279	\$	\$ 11,340
Water System	23,349	28,030		51,379
Wastewater System	33,907	38,796		72,703
Drainage System	63,061	68,261		131,322
<b>Total Accumulated Depreciation</b>	<u>\$ 125,378</u>	<u>\$ 141,366</u>	<u>\$ -0-</u>	<u>\$ 266,744</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,309,321</u>	<u>\$ 1,882,500</u>	<u>\$ -0-</u>	<u>\$ 6,191,821</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 7. BOND AUTHORIZATION**

As of September 30, 2024, the District had authorized but unissued bonds in the amount of \$207,000,000 for the purchase or construction of water, sewer and drainage facilities and \$20,700,000 for the refunding of such bonds, \$115,300,000 for the purchase or construction of parks and recreational facilities and \$11,530,000 for the refunding of such bonds, and \$178,300,000 for the purchase or construction of road facilities and \$17,830,000 for the refunding of such bonds.

**NOTE 8. REGIONAL FACILITIES**

The District is part of a regional system (the “Master District System”) in which Montgomery County Municipal Utility District No. 163 (the “Master District” or “MUD 163”) provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road and park facilities (“Master District Facilities”) to serve other municipal utility districts (each a “Participant”) that i) are located within the Master District’s service area consisting of approximately 1,825 acres in the vicinity of FM1314 and SH242 (“Service Area”) and, ii) have entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as supplemented or amended (the “Master District Contract”) with MUD 163. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road and park facilities.

There are currently three additional municipal districts other than the Master District and the District within the Service Area. These are Montgomery County Municipal Utility District Nos. 191, 192 and 194; however, Montgomery County Municipal Utility District Nos. 192 (“MUD 192”) and 194 (“MUD 194”) are not actively developing, have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. Montgomery County Municipal Utility District No. 191 (“MUD 191”) has entered into the Master District Contract and is a Participant.

The Master District’s Service Area is divided between two Sub-Service Areas, the “East Service Area” and the “West Service Area.” The East Service Area generally corresponds with that portion of the Service Area east of FM1314, and the West Service Area generally corresponds with that portion of the Service Area west of FM1314. Currently, Master District Facilities in the East Service Area serve MUD 191 (and may serve MUD 192 if and when such district begins developing and approves the Master District Contract), and Master District Facilities in the West Service Area serve the District (and may serve MUD 194 if and when such district begins developing and approves the Master District Contract).

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 8. REGIONAL FACILITIES (Continued)**

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants (“Master District Bonds”). Such bonds will be issued as contract revenue bonds payable solely from the contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars and trustees utilized in connection with the Master District Bonds, the principal, interest and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant’s contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

A Participant’s pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants, either within the Service Area or Sub-Service Area, as applicable. At this time, as the only Participant in the West Service Area, the District’s share of debt service payments on any Master District Bonds issued to finance only Master District Facilities serving the West Service Area would be 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District’s operational expenses. General operating expenses of the Master District are split 50/50 between the East Service Area and West Service Area, with each Participants’ share being calculated based upon its pro-rata share of the total number of water connections located within the boundaries of all Participants in the respective Sub-Service Area. Operations and maintenance charges for the regional drainage channel that serves both the East and West Service Areas are allocated as follows: 100% of operation and maintenance costs attributable to that portion of the drainage channel east of FM1314 are paid by Participant(s) in the East Service Area, and costs attributable to that portion of the channel west of FM1314 are split 55% East Service Area and 45% West Service Area. The costs of other services provided by the Master District to its Participants that are specific to one sub-service area are paid 100% by the Participant(s) in such sub-service area based on a district’s pro-rata share of connections in the sub-service area. During the current fiscal year, the District recorded \$813,814 for Master District fees.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 8. REGIONAL FACILITIES (Continued)**

Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the regional services rendered by the Master District under the Master District Contract. Currently, as the only Participant in the West Service Area, the District is responsible for paying all the administrative expenses of the Master District attributable to such service area, which it pays in the form of "Monthly Charges" invoiced monthly by the Master District.

*Water Facilities:* Pursuant to the Master District Contract, the District is responsible for planning and providing regional water facilities to the Participants within its Service Area. In order to provide water supply services within the West Service Area, the Master District has constructed its initial phase of its water plant, which such initial phase capable of serving 750 ESFC ("Water Plant").

The above-described Water Plant serves the West Service Area. Currently, the Master District is not providing water supply services to the East Service Area. Such services are being provided in the East Service Area pursuant to a Wholesale Agreement for Water and Wastewater Service between MUD 191 and Quadvest Wholesale, LLC ("Quadvest"), dated January 21, 2021, as amended (the "Wholesale Agreement"). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide MUD 191 sufficient water supply capacity to serve up to 3,230 equivalent single-family connections ("ESFC").

*Wastewater Facilities:* Pursuant to the Master District Contract, the District is responsible for planning and providing regional wastewater facilities to the Participants within its Service Area. In order to provide wastewater treatment services within the West Service Area, the Master District entered into an Equipment Lease Agreement with AUC Group, LLC ("AUC") dated August 4, 2022 ("Lease"), whereby AUC will construct a wastewater treatment plant with a capacity of 200,000 gallons per day average daily flow ("Wastewater Treatment Plant"). The initial term of the Lease is 10 years and may be extended until such time as the Master District exercises its Purchase Option (as defined in the Lease). The Master District is responsible for the operation and maintenance of the plant and the monthly lease payments to AUC. Lease payments are as follows: \$31,060 per month for months 1-24, \$36,610 per month for months 25-120, and \$29,900 per month for any months beyond the initial term of the Lease. The Master District may exercise its Purchase Option beginning in month 72 of the Lease by paying the amount shown in Exhibit C-1 to the Lease, which amount decreases each month the option is not exercised, provided that the minimum purchase option shall be \$723,557.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 8. REGIONAL FACILITIES (Continued)**

The above-described Lease serves the West Service Area. Currently, the Master District is not supplying wastewater treatment services to the East Service Area. Such services are being provided in the East Service Area pursuant to a Wholesale Agreement for Water and Wastewater Service between MUD 191 and Quadvest Wholesale, LLC (“Quadvest”), dated January 21, 2021, as amended (the “Wholesale Agreement”). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide MUD 191 sufficient wastewater treatment capacity to serve up to 3,230 equivalent single-family connections (“ESFC”).

*Master Drainage:* The Master District also provides the Service Area with drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines (“Storm-Water Drainage Facilities”). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

*Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities:* Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants. The Participant’s systems tie into the Master District’s Systems.

**NOTE 9. UNREIMBURSED COSTS**

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission.

The District has recorded a liability to the Developer of \$16,400,728 for completed projects and operating advances as of September 30, 2024. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current year activity related to unreimbursed Developer costs for operating advances:

Due to Developer, beginning of year	\$ 13,601,362
Additions	<u>2,799,366</u>
Due to Developer, end of year	<u>\$ 16,400,728</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 10. ECONOMIC DEPENDENCY**

The District's Developer owns a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payments of taxes and provide operating advances could directly affect the District's ability to meet its financial obligations.

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

The District has entered into a Strategic Partnership Agreement ("SPA") with the City of Conroe, Texas (the "City"), effective July 28, 2022, whereby the City may impose its sales and use tax within the District upon its limited purpose annexation of the District. To date, the City has not exercised its right to annex the District for limited purposes, but it may exercise this right at any time. After the date of the limited purpose annexation, the City shall pay to the District an amount equal to 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller.

The City may, but is not required to, annex the District for full purposes upon the earlier of the following: 1. The date, not earlier than December 31, 2047, or 2. The time the District has achieved 95% Build Out, whichever occurs first. Upon the full purpose annexation conversion date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

If the debt of the District remains outstanding on the full purpose annexation conversion date, the City may require the District to continue to exist as a limited district for so long as necessary for the limited district to fully discharge all outstanding debt of the limited district.

At any time on or after the time after development in the District reaches 95% build out or December 31, 2047, the City may, in its sole discretion, annex all of the land within the District for full purposes, dissolve the District and assume the debt of the District as provided in Texas Local Government Code, Section 43.075.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2024**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 101,086	\$ 75,000	\$ 104,503	\$ 29,503
Water Service	17,160	45,000	61,550	16,550
Wastewater Service	31,200	46,000	56,035	10,035
Penalty and Interest	6,018	2,600	2,737	137
Tap Connection and Inspection Fees	226,200	318,300	332,255	13,955
Miscellaneous Revenues	<u>3,720</u>	<u>3,010</u>	<u>4,070</u>	<u>1,060</u>
<b>TOTAL REVENUES</b>	<u>\$ 385,384</u>	<u>\$ 489,910</u>	<u>\$ 561,150</u>	<u>\$ 71,240</u>
<b>EXPENDITURES</b>				
Service Operations:				
Professional Fees	\$ 87,500	\$ 153,500	\$ 151,175	\$ 2,325
Contracted Services	57,408	63,100	88,677	(25,577)
Master District Fees	622,185	813,814	813,814	
Repairs and Maintenance	45,500	61,500	63,216	(1,716)
Other	144,100	253,685	266,493	(12,808)
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u></u>	<u>25,000</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 981,693</u>	<u>\$ 1,370,599</u>	<u>\$ 1,383,375</u>	<u>\$ (12,776)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (596,309)</u>	<u>\$ (880,689)</u>	<u>\$ (822,225)</u>	<u>\$ 58,464</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Developer Advances	<u>\$ 596,309</u>	<u>\$ 880,689</u>	<u>\$ 775,500</u>	<u>\$ (105,189)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (46,725)</u>	<u>\$ (46,725)</u>
<b>FUND BALANCE - OCTOBER 1, 2023</b>	<u>70,931</u>	<u>70,931</u>	<u>70,931</u>	<u></u>
<b>FUND BALANCE - SEPTEMBER 30, 2024</b>	<u><u>\$ 70,931</u></u>	<u><u>\$ 70,931</u></u>	<u><u>\$ 24,206</u></u>	<u><u>\$ (46,725)</u></u>

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**

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

**SEPTEMBER 30, 2024**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE CURRENT PERIOD:**

<u>  X  </u>	Retail Water	<u>          </u>	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	<u>          </u>	Wholesale Wastewater	<u>          </u>	Irrigation
<u>  X  </u>	Parks/Recreation	<u>          </u>	Fire Protection	<u>          </u>	Security
<u>  X  </u>	Solid Waste/Garbage	<u>          </u>	Flood Control	<u>  X  </u>	Roads
<u>          </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>          </u>	Other (specify): Storm Water Detention				

**2. RETAIL SERVICE PROVIDERS:**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective April 1, 2024.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$20.00	10,000	N	\$1.50 \$1.75 \$2.00 \$2.50 \$3.50	10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 to 30,000 30,001 and over
WASTEWATER:	\$50.00		Y	Includes trash pick up	
SURCHARGE:	N/A				

District employs winter averaging for wastewater usage?

<u>          </u>	<u>  X  </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$50.00 Total: \$70.00

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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

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

<b>Meter Size</b>	<b>Total Connections</b>	<b>Active Connections</b>	<b>ESFC Factor</b>	<b>Active ESFCs</b>
Unmetered			x 1.0	
≤¾"	<u>188</u>	<u>187</u>	x 1.0	<u>187</u>
1"	<u>15</u>	<u>15</u>	x 2.5	<u>38</u>
1½"			x 5.0	
2"	<u>8</u>	<u>8</u>	x 8.0	<u>64</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>211</u>	<u>210</u>		<u>289</u>
Total Wastewater Connections	<u>200</u>	<u>199</u>	x 1.0	<u>199</u>

**3. TOTAL WATER CONSUMPTION DURING THE CURRENT PERIOD ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Water Accountability Ratio: 100%  
(Gallons billed /Gallons pumped)

Gallons purchased:	15,642,000	From: Montgomery County Municipal Utility District No. 163
Gallons billed to customers:	15,642,000	

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

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

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

Conroe, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

PROFESSIONAL FEES:	
Auditing	\$ 10,500
Engineering	60,026
Legal	<u>80,649</u>
TOTAL PROFESSIONAL FEES	<u>\$ 151,175</u>
MASTER DISTRICT FEES	<u>\$ 813,814</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 1,105
Bookkeeping	43,677
Operations and Billing	15,020
Solid Waste Disposal	9,650
Tax Collector	<u>19,225</u>
TOTAL CONTRACTED SERVICES	<u>\$ 88,677</u>
REPAIRS AND MAINTENANCE	<u>\$ 63,216</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 11,657
Election Costs	1,853
Insurance	4,318
Office Supplies and Postage	4,629
Travel and Meetings	5,063
Other	<u>15,803</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 43,323</u>
TAP CONNECTIONS	<u>\$ 178,520</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 240
Inspection Fees	43,950
Regulatory Assessment	<u>460</u>
TOTAL OTHER EXPENDITURES	<u>\$ 44,650</u>
TOTAL EXPENDITURES	<u>\$ 1,383,375</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**INVESTMENTS**  
**SEPTEMBER 30, 2024**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u> Texas CLASS	XXXX0001	Varies	Daily	\$ <u>749</u>	\$ <u></u>

See accompanying independent auditor’s report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
OCTOBER 1, 2023	\$       -0-	
Adjustments to Beginning		
Balance	<u>                    </u>	\$       -0-
Original 2023 Tax Levy	\$     106,406	
Adjustment to 2023 Tax Levy	<u>                    </u>	<u>      106,406</u>
TOTAL TO BE		
ACCOUNTED FOR		\$     106,406
 TAX COLLECTIONS:		
Prior Years	\$       -0-	
Current Year	<u>      104,503</u>	<u>      104,503</u>
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2024		<u>\$       1,903</u>
 TAXES RECEIVABLE BY		
YEAR:		
2023		<u><u>\$       1,903</u></u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>2023</u>	<u>2022</u>
PROPERTY VALUATIONS:		
Land	\$ 7,902,411	\$ 711,176
Exemptions	<u>(20,464)</u>	<u>(169,447)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 7,881,947</u>	<u>\$ 541,729</u>
TAX RATES PER \$100 VALUATION:		
Maintenance	<u>\$ 1.35</u>	<u>1.35</u>
ADJUSTED TAX LEVY*	<u>\$ 106,406</u>	<u>\$ 7,313</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.21 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 7, 2022.

Road Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on May 7, 2022.

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – THREE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Property Taxes	\$ 104,503	\$ 7,313	\$
Water Service	61,550	7,701	
Wastewater Service	56,035	5,263	
Penalty and Interest	2,737	485	
Tap Connection and Inspection Fees	332,255	214,795	
Miscellaneous Revenues	4,070	1,868	
<b>TOTAL REVENUES</b>	<u>\$ 561,150</u>	<u>\$ 237,425</u>	<u>\$ - 0 -</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 151,175	\$ 88,459	\$ 79,611
Contracted Services	88,677	38,439	9,743
Master District Fees	813,814	234,985	
Repairs and Maintenance	63,216	15,945	
Other	266,493	130,604	29,936
Capital Outlay		31,307	29,465
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,383,375</u>	<u>\$ 539,739</u>	<u>\$ 148,755</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (822,225)</u>	<u>\$ (302,314)</u>	<u>\$ (148,755)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	<u>\$ 775,500</u>	<u>\$ 342,000</u>	<u>180,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (46,725)</u>	<u>\$ 39,686</u>	<u>\$ 31,245</u>
<b>BEGINNING FUND BALANCE</b>	<u>70,931</u>	<u>31,245</u>	
<b>ENDING FUND BALANCE</b>	<u>\$ 24,206</u>	<u>\$ 70,931</u>	<u>\$ 31,245</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>210</u>	<u>86</u>	<u>N/A</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>199</u>	<u>85</u>	<u>N/A</u>

See accompanying independent auditor's report.

Percentage of Total Revenues

<u>2024</u>		<u>2023</u>		<u>2022</u>	
18.6	%	3.1	%		%
11.0		3.2			
10.0		2.2			
0.5		0.2			
59.2		90.5			
0.7		0.8			
<u>100.0</u>	%	<u>100.0</u>	%		%
26.9	%	37.3	%		%
15.8		16.2			
145.0		99.0			
11.3		6.7			
47.5		55.0			
		13.2			
<u>246.5</u>	%	<u>227.4</u>	%		%
<u>(146.5)</u>	%	<u>(127.4)</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

District Mailing Address - Montgomery County Municipal Utility District No. 162  
c/o The Muller Law Group, PLLC  
202 Century Square Blvd.  
Sugar Land, Texas 77478

District Telephone Number - (281) 500-6050

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

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

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 162**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2024**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2024</u>	<u>Title</u>
The Muller Law Group, PLLC	01/27/22	\$ 86,375	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	09/22/22	\$ 10,500	Auditor
Municipal Accounts & Consulting, L.P.	01/27/22	\$ 45,984	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/23/23	\$ -0-	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	01/27/22	\$ -0-	Financial Advisor
Elevation Land Solutions	01/27/22	\$ 60,026	Engineer
Utility Tax Service, LLC	01/27/22	\$ 22,908	Tax Assessor/ Collector
Municipal District Services	01/27/22	\$ 300,705	Operator
Mark Burton and Ghia Lewis	02/24/22	\$ -0-	Investment Officers

See accompanying independent auditor's report.

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

Email:

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

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN