

## OFFICIAL STATEMENT DATED NOVEMBER 19, 2025

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 158, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE **NOT** BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

### NEW ISSUE-BOOK-ENTRY-ONLY

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

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 158

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

**\$11,000,000**  
**UNLIMITED TAX BONDS**  
**SERIES 2025**

**\$3,000,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2025**

**Dated Date: December 1, 2025**

**Due: September 1, as shown on the inside cover**

**Interest Accrual Date: Date of Delivery**

The \$11,000,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$3,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”) are being issued by Montgomery County Municipal Utility District No. 158 (the “District”). The Series 2025 Bonds and the Series 2025 Road Bonds are collectively referred to herein as the “Bonds.” Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from the date of delivery (the “Date of Delivery,”) expected to be on or about December 18, 2025 and is payable on March 1, 2026. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the inside cover.

The Bonds will be registered and delivered only 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 (as defined herein under “BOOK-ENTRY-ONLY SYSTEM.”) of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. 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, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (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. See “BOOK-ENTRY-ONLY SYSTEM.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a “Policy” and collectively, the “Policies”) to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM” or the “Insurer”). See “MUNICIPAL BOND INSURANCE” herein.

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**See “MATURITY SCHEDULES” on the inside cover**

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The Bonds, when issued, will constitute valid and legally 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. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about December 18, 2025.

## MATURITY SCHEDULES

### \$11,000,000 SERIES 2025 BONDS

Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
\$ 210,000	2027	6.500 %	3.120 %	61375H BC4	\$ 405,000	2040 (a)	4.250 %	4.250 %	61375H BR1
220,000	2028	6.500	3.120	61375H BD2	425,000	2041 (a)	4.250	4.375	61375H BS9
230,000	2029	6.500	3.120	61375H BE0	445,000	2042 (a)	4.375	4.470	61375H BT7
240,000	2030	6.500	3.120	61375H BF7	470,000	2043 (a)	4.375	4.560	61375H BU4
255,000	2031	6.500	3.170	61375H BG5	495,000	2044 (a)	4.375	4.630	61375H BV2
270,000	2032 (a)	6.500	3.270	61375H BH3	520,000	2045 (a)	4.375	4.670	61375H BW0
280,000	2033 (a)	6.500	3.370	61375H BJ9	550,000	2046 (a)	4.375	4.700	61375H BX8
295,000	2034 (a)	6.500	3.470	61375H BK6	575,000	2047 (a)	4.500	4.730	61375H BY6
310,000	2035 (a)	4.000	3.750	61375H BL4	610,000	2048 (a)	4.500	4.750	61375H BZ3
330,000	2036 (a)	4.000	3.850	61375H BM2	640,000	2049 (a)	4.500	4.760	61375H CA7
345,000	2037 (a)	4.000	3.920	61375H BN0	675,000	2050 (a)	4.500	4.770	61375H CB5
365,000	2038 (a)	4.000	4.020	61375H BP5	710,000	2051 (a)	4.500	4.780	61375H CC3
385,000	2039 (a)	4.125	4.125	61375H BQ3	745,000	2052 (a)	4.500	4.790	61375H CD1

### \$3,000,000 SERIES 2025 ROAD BONDS

Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
\$ 60,000	2027	6.500 %	3.120 %	61375H CE9	\$ 95,000	2037 (a)	4.000 %	3.920 %	61375H CQ2
60,000	2028	6.500	3.120	61375H CF6	100,000	2038 (a)	4.000	4.020	61375H CR0
65,000	2029	6.500	3.120	61375H CG4	105,000	2039 (a)	4.125	4.125	61375H CS8
70,000	2030	6.500	3.120	61375H CH2	110,000	2040 (a)	4.250	4.250	61375H CT6
70,000	2031	6.500	3.170	61375H CJ8	115,000	2041 (a)	4.250	4.375	61375H CU3
75,000	2032 (a)	6.500	3.270	61375H CK5	120,000	2042 (a)	4.375	4.470	61375H CV1
80,000	2033 (a)	6.500	3.370	61375H CL3	130,000	2043 (a)	4.375	4.560	61375H CW9
85,000	2034 (a)	5.500	3.470	61375H CM1	135,000	2044 (a)	4.375	4.630	61375H CX7
85,000	2035 (a)	4.000	3.750	61375H CN9	140,000	2045 (a)	4.500	4.670	61375H CY5
90,000	2036 (a)	4.000	3.850	61375H CP4	150,000	2046 (a)	4.500	4.700	61375H CZ2

\$320,000 Term Bonds due September 1, 2048 (a), 61375H DB4 (c), 4.500% Interest Rate, 4.750% Yield (b)

\$350,000 Term Bonds due September 1, 2050 (a), 61375H DD0 (c), 4.500% Interest Rate, 4.770% Yield (b)

\$390,000 Term Bonds due September 1, 2052 (a), 61375H DF5 (c), 4.500% Interest Rate, 4.790% Yield (b)

- (a) Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2025 Road Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) Initial Reoffering Yield represents the initial offering yield to the public, which will be established by the Underwriter (as defined herein) for offers to the public and which subsequently may be changed.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon payment of the costs of duplication thereof.

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

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

After requesting competitive bids for the Series 2025 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the “Series 2025 Bond Underwriter”), paying the interest rates shown on the inside cover page hereof, at a price of 97.00% of the principal amount thereof which resulted in a net effective interest rate of 4.693954% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2025 Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the “Series 2025 Road Bond Underwriter”), paying the interest rates shown on the inside cover page hereof, at a price of 97.00% of the principal amount thereof which resulted in a net effective interest rate of 4.699695% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

The Series 2025 Bond Underwriter and the Series 2025 Road Bond Underwriter, shall be referred to herein collectively as the “Underwriter.”

### **Prices and Marketability**

Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

Except as otherwise described in the OFFICIAL NOTICES OF SALE under “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS—Establishing the Price of the Bonds,” the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

### **Securities Laws**

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

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 1526, 85 <sup>th</sup> Session of Texas Legislature, Regular Session effective September 1, 2017 (the “Act”) codified as Chapter 7986, Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution, the Act and Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 633 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located in Montgomery County, entirely in the extraterritorial jurisdiction of the City of Conroe and within the boundaries of Conroe Independent School District. The District is located approximately 31 miles northeast of the central downtown business district of the City of Houston and 10 miles from the central downtown business district of the City of Conroe. The District is generally bounded by Payne Road to the north, Farm-to-Market 1314 to the west and south and Old Houston Road to the east. See “THE DISTRICT” and “AERIAL LOCATION MAP.”
<i>Artavia...</i>	The District is part of the development of an approximately 2,842 acre master-planned community known as “Artavia.” Artavia is comprised of the District, Montgomery County Municipal Utility District No. 157 (“MUD 157” or the “Master District”), Montgomery County Municipal Utility District No. 106 (“MUD 106”), and Montgomery County Municipal Utility District No. 111 (“MUD 111”). The District, MUD 106, and MUD 111 are collectively referred to as the “Artavia Districts.” See “ARTAVIA.”
<i>The Developer and Principal Landowner...</i>	The developer of Artavia is Artavia Development Company, a Texas corporation (“ADC” or the “Developer”). A portion of the undeveloped land within the Artavia project boundaries is owned by Pilot Land Acquisitions, LLC, a Nevada limited liability company (“PLA”), which acts solely as a land holding company. PLA sells land to the Developer as needed for development. As of September 30, 2025, the Developer had purchased 1,696 acres within the Artavia project boundaries, including approximately 617 acres of land within the District. PLA owns approximately 17 acres of land within the District. AIRIA Development Company, a Texas corporation (“AIRIA”) manages the development of Artavia for the Developer and PLA. The controlling interests in AIRIA, ADC, and PLA are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. The President of AIRIA and ADC is E. Travis Stone, Jr. See “THE DEVELOPER.”
<i>Status of Development...</i>	<p>The land within the Artavia Districts is being developed primarily as a single-family residential community, of which the District currently includes 462 single-family residential lots on approximately 146 acres. As of September 1, 2025, the District consisted of 149 completed homes (94 homes occupied), 43 homes under construction or continue to be in a builder’s name, and 270 vacant developed lots available for home construction. Homes within the District range in price from approximately \$300,000 to over \$1,000,000. In addition, Section Forty (75 lots) on approximately 28 acres and Section Forty-Three (51 lots) on approximately 12 acres are currently under construction with an expected completion date of second quarter of 2026 and fourth quarter of 2025, respectively.</p> <p>Approximately 315 developable acres within the District are undeveloped, and the remaining approximately 132 acres are not developable (street easements, drainage detention, parks and recreation space, right-of-way and utility sites). See “THE DISTRICT—Land Use” and “—Status of Development.”</p>
<i>Homebuilding...</i>	Homebuilders active within the District include Beazer Homes, Chesmar Homes, Coventry Homes, David Weekly Homes, Highland Homes, J. Patrick Homes, Lennar Homes, Perry Homes, Ravenna Homes, Jamestown Estate and Westin Homes. See “THE DISTRICT—Homebuilders.”

*Regional Facilities...* The Master District has contracted with the Artavia Districts to provide water supply and wastewater treatment as well as regional water distribution, wastewater collection trunk lines and storm water collection trunk lines necessary to serve Artavia (collectively, the “Master District Facilities”). See “WATER, WASTEWATER AND DRAINAGE.”

*Payment Record...* The District has previously issued \$3,700,000 principal amount of unlimited tax bonds for road facilities in one series, all of which remains outstanding (the “Outstanding Bonds”) as of the date hereof. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted on its debt obligations. The District capitalized twenty-four (24) months of interest from proceeds of the Series 2024 Road Bonds, and will capitalize twenty-four (24) months of interest from the Series 2025 Bond proceeds and twelve (12) months of interest from the Series 2025 Road Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

## THE BONDS

*Description...* The \$11,000,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$3,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”) and, together with the Series 2025 Bonds, the “Bonds”) are being issued as fully registered bonds pursuant to separate orders (the “Bond Orders”) authorizing the issuance of each such series of Bonds adopted by the District’s Board of Directors. The Series 2025 Bonds are scheduled to mature serially on September 1 in each of the years 2027 through 2052, both inclusive. The Series 2025 Road Bonds are scheduled to mature serially on September 1 in each of the years 2027 through 2046, both inclusive, and as term bonds maturing on September 1 in each of the years 2048, 2050 and 2052 (the “Series 2025 Road Term Bonds”). The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on March 1, 2026. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. See “THE BONDS.”

*Book-Entry-Only System...* The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of each series of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”

*Redemption...* Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on September 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2025 Road Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Use of Proceeds for the Series 2025 Bonds...* Proceeds of the Series 2025 Bonds will be used to pay connection charges and construction costs as shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.” In addition, Series 2025 Bond proceeds will be used to capitalize twenty-four (24) months of interest on the Series 2025 Bonds; to pay operating advances and interest on funds advanced by the Developer on behalf of the District; to pay creation costs; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Series 2025 Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.”

*Use of Proceeds for the Series 2025 Road Bonds...* Proceeds of the Series 2025 Road Bonds will be used to finance road facilities as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.” In addition, Series 2025 Road Bond proceeds will be used to capitalize twelve (12) months of interest on the Series 2025 Road Bonds; to pay interest on funds advanced by the Developer on behalf of the District; to pay engineering fees and administrative costs; to pay land costs; and to pay certain other costs related to the issuance of the Series 2025 Road Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.”

<i>Authority for Issuance...</i>	The Series 2025 Bonds are the first series of bonds issued out of an aggregate of \$136,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, sewer and drainage facilities. The Series 2025 Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the Act, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the TCEQ approving the issuance of the Series 2025 Bonds, and the Series 2025 Bond Order.
	The Series 2025 Road Bonds are the second series of bonds issued out of an aggregate of \$78,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing road facilities. The Series 2025 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the Act, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the Series 2025 Road Bond Order. See "RISK FACTORS—Future Debt," "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt," and "—Financing Road Facilities."
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District. See "THE BONDS—Source and Security for Payment" and "—Funds."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, separate municipal bond insurance policies insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX C."
<i>Not Qualified Tax-Exempt Obligations...</i>	The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."
<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants."
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants."
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

## RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2025 Taxable Assessed Valuation.....	\$ 44,938,716	(a)
Estimated Taxable Assessed Valuation as of November 1, 2025.....	\$120,189,894	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$17,700,000	
Estimated Overlapping Debt .....	<u>2,260,190</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt .....	\$19,960,190	
Ratio of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of November 1, 2025 .....	14.73%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of November 1, 2025 .....	16.61%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of October 2, 2025 .....	\$ 223,335	(d)
Capitalized Interest from Proceeds of the Series 2025 Bonds (Twenty-Four (24) Months) .....	1,043,263	(d)
Capitalized Interest from Proceeds of the Series 2025 Road Bonds (Twelve (12) Months).....	<u>142,163</u>	(d)
Total Funds Available for Debt Service.....	\$1,408,761	
Funds Available for Maintenance and Operations as of October 2, 2025 .....	\$8,497	(e)
Funds Available for Capital Projects as of October 2, 2025 .....	\$ 480	
2025 Debt Service Tax Rate.....	\$0.23	
2025 Maintenance Tax Rate.....	<u>1.12</u>	
2025 Total Tax Rate.....	\$1.35	(f)
Average Annual Debt Service Requirement (2026-2052).....	\$1,151,051	(g)
Maximum Annual Debt Service Requirement (2051).....	\$1,239,050	(g)
Tax Rate Required to Pay Average Annual Debt Service (2026-2052) at a 95% Collection Rate Based upon Estimated Taxable Assessed Valuation as of November 1, 2025.....	\$1.01	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2051) at a 95% Collection Rate Based upon Estimated Taxable Assessed Valuation as of November 1, 2025.....	\$1.09	(h)
Status of Development as of September 1, 2025 (i):		
Total Lots Developed.....	462	
Completed homes (94 homes occupied) .....	149	
Homes under construction or in the name of the builder .....	43	
Vacant Lots available for home construction.....	270	
Lots Under Construction.....	126	
Estimated population .....	329	(j)

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). The Appraisal District has informed the District that lot and home values in multiple sections were omitted from the 2025 Taxable Assessed Valuation. The Appraisal District has confirmed that the missing value will be added to the District's tax roll this fall on supplemental tax rolls; however, the District cannot guarantee that the corrections and inclusion of the missing values will not be delayed. See "THE DISTRICT—Description and Location" and "TAXING PROCEDURES."
- (b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on November 1, 2025, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2025 and November 1, 2025 will be certified as of January 1, 2026. See "THE DISTRICT—Description and Location" and "TAXING PROCEDURES."
- (c) See "RISK FACTORS—Overlapping Debt and Taxes," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt," and "—Overlapping Taxes."
- (d) The Road Debt Service Fund consists of capitalized interest from Outstanding Bonds. The District will capitalize twenty-four (24) months of interest from proceeds of the Series 2025 Bonds and will capitalize twelve (12) months of interest from proceeds of the Series 2025 Road Bonds. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (e) See "RISK FACTORS—Operating Funds."
- (f) The District levied a total tax rate of \$1.35 per \$100 of taxable assessed valuation for the 2025 tax year. The District may consider reallocation of the debt service and maintenance and operations tax components in December 2025 upon receipt of the 2025 supplemental tax correction rolls from the Appraisal District. The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Outstanding Bonds. See "RISK FACTORS—Overlapping Debt and Taxes" and "TAX DATA."
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "RISK FACTORS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development."
- (j) Based upon 3.5 persons per completed and occupied home.

## OFFICIAL STATEMENT

### MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 158

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

**\$11,000,000**  
**UNLIMITED TAX BONDS**  
**SERIES 2025**

**\$3,000,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2025**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 158 (the “District”) of its \$11,000,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$3,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”). The Series 2025 Bonds and the Series 2025 Road Bonds are collectively referred to herein as the “Bonds.”

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 1526, 85<sup>th</sup> Session of Texas Legislature, Regular Session effective September 1, 2017 (the “Act”) codified as Chapter 7986, Texas Special District Local Laws Code. The Series 2025 Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the Texas Commission on Environmental Quality (“TCEQ”) approving the issuance of the Series 2025 Bonds, and an order authorizing the issuance, sale and delivery of the Series 2025 Bonds adopted by the Board of Directors of the District (the “Series 2025 Bond Order”). The Series 2025 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the Act, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and an order authorizing the issuance, sale and delivery of the Series 2025 Road Bonds adopted by the Board of Directors of the District (the “Series 2025 Road Bond Order”) (together with the Series 2025 Bond Order, the “Bond Orders”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Orders, and certain other information about the District, AIRIA Development Company (“AIRIA”), Artavia Development Company (“ADC” or the “Developer”) and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

## RISK FACTORS

### General

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

### Dependence on Principal Taxpayers and the Developer

There is a high concentration of ownership of taxable value in the District, which is in early stages of development. The principal taxpayers in the District represent \$31,791,631 or 70.74% of the certified portion of the 2025 Taxable Assessed Valuation within the District, which represents ownership as of January 1, 2025. The Developer represents \$13,831,280 or 30.78%. See “THE DEVELOPER,” “TAX DATA—Principal Taxpayers” and “APPENDIX B.” The Appraisal District has informed the District that lot and home values in multiple sections were omitted from the 2025 Taxable Assessed Valuation. The Appraisal District has confirmed that the missing value will be added to the District’s tax roll this fall on supplemental tax rolls; however, the District cannot guarantee that the corrections and inclusion of the missing values will not be delayed. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of November 1, 2025, of \$120,189,894 is not available as of the date hereof. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Orders, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis.

The Developer has informed the District that its current plans are to continue developing land and marketing lots. Neither the Developer nor any future developer is obligated to implement development plans on any particular schedule, or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer or any other landowners.

### **Operating Funds**

The District's current primary source of operating revenue is maintenance tax revenue and advances from the Developer. The District adopted a total tax rate of \$1.35 per \$100 of taxable assessed valuation for the 2025 tax year, consisting of \$0.23 per \$100 of taxable assessed valuation for debt service and \$1.12 per \$100 of taxable assessed valuation for maintenance and operations. The District may consider reallocation of the debt service and maintenance and operations tax components in December 2025 upon receipt of the 2025 supplemental tax correction rolls from the Appraisal District. The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Outstanding Bonds. The District's unaudited General Fund balance as of October 2, 2025 was \$8,497. The revenue produced from the 2025 maintenance tax rate may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance may depend upon (1) cash subsidies from the Developer, and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. Such an increase may result in a total District tax rate excess of similar developments and could adversely affect the continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See “—Dependence on Principal Taxpayers and the Developer” herein, “THE DEVELOPER,” and “THE SYSTEM—Water and Wastewater Operations.”

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots. The market value of such development is related to general economic conditions in the Houston region and the national economy. Demand for lots and the construction of taxable improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such property is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values. See “—Credit Markets and Liquidity in the Financial Markets” below and “THE DEVELOPER.”

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly the liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 31 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

### **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.

### **Competition**

The demand for and construction of single-family homes in the District, which is 31 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in Montgomery County and the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District, including within Artavia, and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer or any other landowner in the sale of developed lots within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District.

### **Landowner Obligation to the District**

There are no commitments from or obligations of the Developer, or any other landowner to the District to proceed at any particular rate or according to any specified plan with the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer and other landowners. See "THE DEVELOPER."

### **Undeveloped Acreage and Vacant Lots**

There are approximately 315 developable acres that have not been fully provided with water, wastewater and storm drainage facilities and paving necessary to the construction of taxable improvements (including approximately 40 acres that are currently under construction), and 270 developed single-family residential lots that remain vacant. The District makes no representation as to when or if development of this acreage will occur or the timing of new home construction. Future increases in value will result primarily from the construction of lots and homes. Failure of the Developer to develop the developable land or of builders to construct homes on the developed lots could impact the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

### **Possible Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The Estimated Taxable Assessed Valuation as of November 1, 2025 is \$120,189,894. After issuance of the Bonds, the maximum debt service requirement will be \$1,239,050 (2051), and the average annual debt service requirement will be \$1,151,051 (2026-2052, inclusive). Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of November 1, 2025, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$1.09 and \$1.01 per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of November 1, 2025 will be the amount finally certified by the Appraisal District and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

### **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 procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

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

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

## **Specific Flood Type 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 man-made drainage systems (canals or channels) downstream.

## **Severe Weather**

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

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

## **Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. 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. See "WATER, WASTEWATER AND DRAINAGE."

## **Registered Owners' Remedies**

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

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

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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

## **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursements with proceeds of the Bonds, the District will continue to owe the Developer approximately \$35,416,000 plus interest for advances made for engineering and construction of water, wastewater, drainage, road and park facilities, which will be financed with future bond issues. A total of \$78,000,000 principal amount of unlimited tax bonds for the purpose of financing road facilities, \$136,500,000 principal amount of unlimited tax bonds for financing water, wastewater and drainage facilities, and \$49,500,000 principal amount of unlimited tax bonds for financing park and recreational facilities has been authorized by the District's voters. After issuance of the Bonds, \$71,300,000 principal amount of road bonds, \$125,500,000 principal amount of the water, wastewater and drainage facilities bonds, and all of the park and recreational facilities bonds will remain authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is authorized to issue bonds to refund or redeem its outstanding debt. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of road bonds is not. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

## **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 Polyflouroalkyl 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), with an effective date of March 5, 2018, 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. It 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 District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the City of Conroe. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit 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 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.

Flood Protection: According to the Engineer, none of the land within the District is located within the 100-year floodplain.

### **Marketability of the Bonds**

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

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

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

### **Future and Proposed Legislation**

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The Underwriter has entered into separate agreements with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX C—Specimen Municipal Bond Insurance Policies."

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

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

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

## **THE BONDS**

### **General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders, copies of which are available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

### **Description**

The Bonds will be dated December 1, 2025, with interest payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature, and principal in respect of the Bonds is payable, on September 1 of the years and in the amounts, and accrue interest at the rates, shown under “MATURITY SCHEDULES” on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

### **Authority for Issuance**

At an election held within the District on May 4, 2019, voters of the District authorized a total of \$136,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, \$78,000,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing road facilities and \$49,500,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing park and recreational facilities. The Series 2025 Bonds constitute the first issuance of bonds from the authorization for acquiring or constructing water, sewer and drainage facilities and the Series 2025 Road Bonds constitute the second issuance of bonds from the authorization for acquiring or constructing road facilities. After issuance of the Bonds, a total of \$125,500,000 in principal amount of unlimited tax bonds will remain authorized but unissued from the authorization for acquiring or constructing water, sewer and drainage facilities, a total of \$71,300,000 in principal amount of unlimited tax bonds will remain authorized but unissued from the authorization for acquiring or constructing road facilities, and a total of \$49,500,000 in principal amount of unlimited tax bonds will remain authorized but unissued from the authorization for acquiring or constructing park and recreational facilities. See “—Issuance of Additional Debt” herein.

The Series 2025 Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, the Act, an election held within the District, an order of the TCEQ approving the issuance of the Series 2025 Bonds, and the Series 2025 Bond Order. The Series 2025 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and the Series 2025 Road Bond Order.

### **Source and Security for Payment**

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAXING PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See “RISK FACTORS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any political subdivision or entity other than the District.

**Funds**

The Bond Orders confirm the prior creation of the District’s Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sewer, drainage, and recreational facilities or to refund such bonds (“WSD&R Bonds”) from funds received to pay debt service on bonds issued to finance road facilities or to refund such bonds (“Road Bonds”). The Bond Orders also confirm the District’s Construction Fund, including the sub-accounts which are used to separate proceeds from WSD&R Bonds and Road Bonds. Twenty-four (24) months of interest on the Series 2025 Bonds will be deposited from the proceeds from the sale of the Series 2025 Bonds into the sub-account of the Debt Service Fund created in respect of WSD&R Bonds. All remaining proceeds of the Series 2025 Bonds will be deposited in the sub-account of the Construction Fund created in respect of WSD&R Bonds. Twelve (12) months of interest on the Series 2025 Road Bonds will be deposited from the proceeds from sale of the Series 2025 Road Bonds into the sub-account of the Debt Service Fund created in respect of Road Bonds. All remaining proceeds of the Series 2025 Road Bonds will be deposited in the sub-account of the Construction Fund created in respect of Road Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds.

The proceeds from all taxes levied, appraised and collected for and on account of the Series 2025 Bonds authorized by the Series 2025 Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of WSD&R Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of WSD&R Bonds are to be used for payment of debt service on the Series 2025 Bonds and any of the District’s duly authorized WSD&R Bonds, whether heretofore, hereunder or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of WSD&R Bonds 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 Series 2025 Bonds and any of the District’s duly authorized WSD&R Bonds, whether heretofore, hereunder or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on WSD&R Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of Road Bonds, will not be available for payment of the Series 2025 Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Series 2025 Road Bonds authorized by the Series 2025 Road Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Road Bonds are to be used for payment of debt service on the Series 2025 Road Bonds and any of the District’s duly authorized Road Bonds, whether heretofore, hereunder or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Road Bonds 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 Series 2025 Road Bonds and any of the District’s duly authorized Road Bonds, whether heretofore, hereunder or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of WSD&R Bonds, will not be available for payment of the Series 2025 Road Bonds.

**Record Date**

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15<sup>th</sup> day of the month (whether or not a business day) preceding such Interest Payment Date.

**Redemption Provisions**

*Mandatory Redemption of the Series 2025 Road Term Bonds:* The Series 2025 Road Bonds maturing on September 1 in each of the years 2048, 2050 and 2052 (the “Series 2025 Road Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

<b>\$320,000 Term Bonds</b>		<b>\$350,000 Term Bonds</b>		<b>\$390,000 Term Bonds</b>	
<b>Due September 1, 2048</b>		<b>Due September 1, 2050</b>		<b>Due September 1, 2052</b>	
<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>
<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>
2047	\$ 155,000	2049	\$ 170,000	2051	\$ 190,000
2048 (maturity)	165,000	2050 (maturity)	180,000	2052 (maturity)	200,000

Notice of the mandatory redemption of the Series 2025 Road Term Bonds will be provided at least thirty (30) calendar days prior to the Redemption Date, with the particular portions of the Series 2025 Road Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Series 2025 Road Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY-SYSTEM.”

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds (including any Series 2025 Road Term Bonds) maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the “Redemption Date”). If fewer than all of the Bonds are to be redeemed, the particular series and maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the serial Bonds of the same series and maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.” If less than all of the entire outstanding principal amount of a Series 2025 Road Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reduction in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Orders.

*Effects of Redemption:* By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Series 2025 Road Term Bonds) or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners (hereafter defined) to collect interest which would otherwise accrue after the Redemption Date on any Bond or portion thereof called for redemption shall terminate on the Redemption Date.

### **Method of Payment of Principal and Interest**

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

### **Registration**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

### **Replacement of Paying Agent/Registrar**

Provision is made in the Bond Orders for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which 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.

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$136,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, a total of \$78,000,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing road facilities and a total of \$49,500,000 in principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities. After issuance of the Bonds, \$125,500,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities will remain authorized but unissued, \$71,300,000 in principal amount of unlimited tax bonds for road facilities will remain authorized but unissued, and \$49,500,000 in principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities will remain authorized but unissued. The District's voters have also authorized refunding bonds in amounts of (i) \$204,750,000 of water, sanitary sewer, and drainage facilities, (ii) \$117,000,000 for road improvements, and (iii) \$74,250,000 for recreational facilities, for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District's voters could authorize additional unlimited tax bonds for water, sewer, and drainage facilities, road facilities, and recreational facilities, and for refunding outstanding bonds of the District. Issuance of additional bonds for water, sewer and drainage facilities, and/or for recreational facilities, is subject to the approval of the TCEQ. Additional bonds may also be issued for road facilities, which bonds do not currently require TCEQ approval. See "RISK FACTORS—Future Debt," "—Financing Water, Sewer and Drainage Facilities," "—Financing Recreational Facilities," and "—Financing Road Facilities" herein, and "THE DISTRICT—General."

The Bond Orders impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds

### **Financing Water, Sewer and Drainage Facilities**

Pursuant to provisions of the Texas Constitution and Chapter 49 and Chapter 54, Texas Water Code, as amended, the District is authorized to acquire or construct certain water, sewer and drainage facilities subject to the approval of the TCEQ and a successful District election to approve the issuance of bonds payable from taxes. See "THE DISTRICT—General." At an election held within the District on May 4, 2019, voters of the District authorized a total of \$136,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities. After issuance of the Series 2025 Bonds, \$125,500,000 in principal amount of unlimited tax bonds for said improvements and facilities will remain authorized but unissued. See "RISK FACTORS—Future Debt" and "—Issuance of Additional Debt" herein.

### **Financing Road Facilities**

Pursuant to the provisions of the Texas Constitution and the Act, as defined herein, the District is authorized to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. At an election held within the District on May 4, 2019, voters of the District authorized a total of \$78,000,000 unlimited tax bonds for acquiring and constructing road facilities. After the issuance of the Series 2025 Road Bonds, the District will have \$71,300,000 principal amount of unlimited tax road bonds authorized but unissued from said authorization and could issue additional amounts. See "—Issuance of Additional Debt" herein and "RISK FACTORS—Future Debt." Issuance of additional bonds for road facilities may dilute the investment security for the Bonds.

### **Financing Recreational Facilities**

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 4, 2019, voters of the District authorized a total of \$49,500,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains unissued, and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe, the District may be annexed for full purposes by the City of Conroe, subject to compliance by the City of Conroe with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Conroe hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Conroe must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Conroe is a policy-making matter within the discretion of the Mayor and City Council of the City of Conroe, and, therefore, the District makes no representation that the City of Conroe will ever attempt to annex the District for limited or full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Conroe to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Conroe, the City of Conroe may annex the territory of the District for full purposes (a "full-purpose annexation") at any time on or after December 31, 2049, or at any earlier time that the District has achieved 90% build out as defined in the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

### **Consolidation**

The District has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

### **Remedies in Event of Default**

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

### **Defeasance**

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Orders do not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

## USE AND DISTRIBUTION OF BOND PROCEEDS

### Series 2025 Bonds

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Series 2025 Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by LJA Engineering, Inc. (the “Engineer”) and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

#### CONSTRUCTION COSTS

• MUD 157 Master District Connection Fees.....	\$ 8,370,441
<b>Total Construction Costs.....</b>	<b>\$ 8,370,441</b>

#### NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$ 330,000
• Capitalized Interest (Twenty-Four (24) Months) (a).....	1,043,263
• Developer Advances.....	468,300
• Market Study.....	13,150
• Creation Costs.....	5,906
• Developer Interest (Estimated).....	39,621
<b>Total Non-Construction Costs.....</b>	<b>\$ 1,900,240</b>

#### ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 515,581
• Bond Application .....	65,000
• State Regulatory Fees.....	37,000
• Contingency (a).....	111,738
<b>Total Issuance Costs and Fees.....</b>	<b>\$ 729,319</b>
<b>TOTAL BOND ISSUE.....</b>	<b>\$ 11,000,000</b>

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

**Series 2025 Road Bonds**

The construction costs below were compiled by the District’s Engineer. 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 agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

**CONSTRUCTION COSTS**

• Road Construction Costs.....	\$ 1,185,273
• Land Acquisition Costs.....	1,094,385
• Engineering & Testing.....	<u>147,624</u>
<b>Total Construction Costs.....</b>	<b>\$ 2,427,282</b>

**NON-CONSTRUCTION COSTS**

• Underwriter's Discount.....	\$ 90,000
• Capitalized Interest (Twelve (12) Months) (a).....	142,163
• Developer Interest (Estimated).....	<u>124,533</u>
<b>Total Non-Construction Costs.....</b>	<b>\$ 356,696</b>

**ISSUANCE COSTS AND FEES**

• Issuance Costs and Professional Fees.....	\$ 185,185
• Application Preparation Costs.....	20,000
• State Regulatory Fees.....	3,000
• Contingency (a).....	<u>7,838</u>
<b>Total Issuance Costs and Fees.....</b>	<b>\$ 216,023</b>
<b>TOTAL BOND ISSUE.....</b>	<b>\$ 3,000,000</b>

(a) Contingency represents the difference in the estimated and actual amount of capitalized interest.

## ARTAVIA

Artavia is an approximately 2,842 acre master-planned community located in Montgomery County 31 miles northeast of downtown Houston, Texas. Artavia includes four (4) municipal utility districts: the District, Montgomery County Municipal Utility District No. 106 (“MUD 106”), Montgomery County Municipal Utility District No. 111 (“MUD 111”) and Montgomery County Municipal Utility District No. 157 (“MUD 157” or the “Master District”) (collectively, the “Artavia Districts”). Development occurring within Artavia is currently occurring within the District and MUD 111. Each of the Artavia Districts has the authority to provide water, wastewater, drainage and recreational facilities as well as the roads within its boundaries. MUD 157 also acts as the “Master District” and has additional powers related to providing regional water, wastewater and drainage services to the Artavia Districts. See “WATER, WASTEWATER AND DRAINAGE—Master District.”

## THE DISTRICT

### **General**

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 1526, 85<sup>th</sup> Session of Texas Legislature, Regular Session effective September 1, 2017 (the “Act”) codified as Chapter 7986, Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered to, among other things, purchase, construct, acquire, own, lease and operate all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; to acquire, purchase, own, operate, repair and improve parks and recreational facilities, and to acquire, construct, finance, improve, operate and maintain road facilities, among other things. The District may also provide solid waste collection and disposal service and contract for or employ peace officers. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. The District is subject to the continuing supervision of the TCEQ.

The District is required to observe certain requirements of the City of Conroe which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Conroe of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City of Conroe and filed in the real property records of Montgomery County, Texas. The District is also required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See “WATER, WASTEWATER AND DRAINAGE—Regulation.”

### **Description and Location**

The District consists currently of approximately 633 acres of land. The District is located in Montgomery County, entirely in the extraterritorial jurisdiction of the City of Conroe and within the boundaries of Conroe Independent School District. The District is located approximately 31 miles northeast of the central downtown business district of the City of Houston and 10 miles from the central downtown business district of the City of Conroe. The District is generally bounded by Payne Road to the north, Farm-to-Market 1314 to the west and south and Old Houston Road to the east. See “AERIAL LOCATION MAP.”

## Land Use

The following table represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	<u>Approximate Acres</u>	<u>Total Lots</u>
Artavia, Section Nineteen	18	63
Artavia, Section Twenty	13	31
Artavia, Section Twenty-Three	12	37
Artavia, Section Twenty-Four	8	27
Artavia, Section Twenty-Five	11	25
Artavia, Section Twenty-Nine	15	49
Artavia, Section Thirty	12	37
Artavia, Section Thirty-One	20	76
Artavia, Section Thirty-Two	18	50
Artavia, Section Thirty-Three	19	67
Artavia, Section Forty (a)	28	75
Artavia, Section Forty-Three (b)	12	51
	<u>186</u>	<u>588</u>
Future Development	315	---
Undevelopable Acreage (c)	<u>132</u>	<u>---</u>
Total District Acreage	633	588

(a) Construction is underway with completion anticipated in the second quarter of 2026.

(b) Construction is underway with completion anticipated in the fourth quarter of 2025.

(c) Includes amenity/detention facilities, pipeline easements, street rights-of-way, drill sites and utility sites.

## Status of Development

*Single Family Residential*: The development in the District currently includes 462 single-family residential lots on approximately 146 acres. As of September 1, 2025, the District consisted of 149 completed homes (94 homes occupied), 43 homes under construction or continue to be in a builder's name, and 270 vacant developed lots available for home construction. Homes within the District range in price from approximately \$300,000 to over \$1,000,000. In addition, Section Forty (75 lots) on approximately 28 acres and Section Forty-Three (51 lots) on approximately 12 acres are currently under construction with an expected completion date of second quarter of 2026 and fourth quarter of 2025, respectively.

## Homebuilders

Homebuilders active within the District include: Beazer Homes, Chesmar Homes, Coventry Homes, David Weekley Homes, Highland Homes, J. Patrick Homes, Lennar Homes, Perry Homes, Ravenna Homes, Jamestown Estate and Westin Homes. Pursuant to lot sales agreements with the homebuilders in the District, each builder that is required to make an earnest money deposit is subject to lot takedown requirements of generally four lots per quarter. Each builder is also required to build models and/or speculative homes. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract.

## Future Development

Approximately 315 developable acres of land in the District are not yet fully served with water, wastewater, and drainage facilities, park and recreational facilities, and roads necessary for the construction of taxable improvements. While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, wastewater, drainage, road, and park and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$246,300,000) should be sufficient to finance the construction of water, wastewater, and drainage facilities, park and recreational facilities, and roads for the District. See "RISK FACTORS—Future Debt," "THE ROAD SYSTEM" and "WATER, WASTEWATER AND DRAINAGE."

## **Strategic Partnership Agreement**

The District and the City of Conroe entered into a Strategic Partnership (“SPA”) on or about November 14, 2024, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for the terms and conditions for annexation of the District by the City of Conroe and controls over any other law. The SPA terminates on the earlier of (i) 40 years from the effective date of the Agreement, or (ii) the date the District ceases to exist.

Under the SPA the City of Conroe may at any time annex the territory of the District for limited purposes (a “limited purpose annexation”). After a limited purpose annexation, the City of Conroe may impose a sales and use tax within the District but the District is not subject to property taxation by the City of Conroe.

Under the SPA the City of Conroe may annex the territory of the District for full purposes (a “full-purpose annexation”) at any time on or after December 31, 2049, or at any earlier time that the District has achieved 90% build out as defined in the SPA. Upon full-purpose annexation the City of Conroe may either (i) abolish and District and assume its debts and obligations or (ii) continue the District as a limited district under the terms of the SPA. The District cannot be abolished until it achieves 90% build out. The term “90% build out” means that the public water, sewer and drainage facilities and roads for 90% of the developable land in the District have been constructed and the District has fully reimbursed the Developer for such infrastructure.

If the District is continued as a limited district after full-purpose annexation, the District may operate and remain responsible for its obligations. It will continue to have the power to levy and collect taxes to pay its debt and operating expenses. Upon 90% build out, the City of Conroe may dissolve the limited district, take over its assets, assume its obligations, and perform its functions.

## **THE DEVELOPER**

### **Role of a Developer**

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

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

### **Description of the Developer and Principal Landowner**

The developer of Artavia is Artavia Development Company, a Texas corporation (“ADC” or the “Developer”). A portion of the undeveloped land within the Artavia project boundaries is owned by Pilot Land Acquisitions, LLC, a Nevada limited liability company (“PLA”), which acts solely as a land holding company. PLA sells land to the Developer as needed for development. As of September 30, 2025, the Developer had purchased approximately 1,696 acres within the Artavia project boundaries, including approximately 617 acres of land within the District. PLA owns approximately 17 acres of land within the District. AIRIA Development Company, a Texas corporation (“AIRIA”) manages the development of Artavia for the Developer and PLA. The controlling interests in AIRIA, ADC, and PLA are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. The President of AIRIA and ADC is E. Travis Stone, Jr.

Certain financial information concerning the Developer is attached hereto as “APPENDIX B—Financial Information Concerning the Developer.” Neither the Developer nor an affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under “CONTINUING DISCLOSURE INFORMATION.” See “RISK FACTORS—Dependence on Principal Taxpayers and the Developer.”

**Acquisition and Development Financing**

The Developer is currently funding land acquisition through a loan from PLA in the amount of \$153,628,875 that currently has an outstanding balance of approximately \$157,189,698 as of September 30, 2025. The loan is secured by a lien on the property, which is released by PLA as the Developer sells parcels to third parties.

According to the Developer, its source of construction funding is a \$120,000,000 note with SR Lender, LLC, a Nevada limited liability company, which is due on June 1, 2029. According to the Developer, the outstanding principal balance of the loan as of September 30, 2025 was \$80,884,994 and the Developer is in material compliance with all terms.

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

The District is governed by the Board consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the first Saturday of May of even numbered years. All of the Board members own land within the District subject to a note and deed of trust in favor of the Developer. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
William J. Kotlan	President	May 2026
Sara Dunn	Vice President	May 2026
Erik Verduzco	Secretary	May 2026
Harrison Kerr	Assistant Secretary	May 2028
William A. Little	Assistant Secretary	May 2028

**District Consultants**

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

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

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

Auditor: The financial statements of the District as of April 30, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Engineer: The District’s consulting engineer is LJA Engineering, Inc.

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

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

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, LP (the “Bookkeeper”) for bookkeeping services.

Operator: The operation and maintenance of the District’s water and wastewater systems are overseen by Inframark Infrastructure Management Services (the “Operator”).

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

## THE ROAD SYSTEM

The road system (the “Roads”) serves the residents of the District by providing access to major thoroughfares and collectors within Artavia and the surrounding area. The internal subdivision streets provide access to several collectors including Astaire Parkway and Picasso Pass. These internal streets and collectors convey the residents of the District to Old Houston Road and Artavia Parkway, which ultimately connects to Farm to Market 1314. All Roads are maintained or will be maintained by Montgomery County. See “THE BONDS—Financing Road Facilities” and “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.”

## WATER, WASTEWATER AND DRAINAGE

### **Water Supply**

The District’s water supply is provided by MUD 157, which serves as the Master District. Water Plant No. 1 consists of a 1,511 gallon per minute (“gpm”) water well, a 1,200 gpm water well, 50,000 gallons of pressure tank capacity, 500,000 gallons of ground storage tank capacity and 5,600 gpm of booster pump capacity. The Master District water supply facilities adequately serve 2,500 equivalent single-family connections. As of September 2025, the Master District was servicing approximately 1,642 active connections (including 1,413 which are active residential connections and 98 homes under construction or in a builder’s name), of which 192 are located within the District and the remainder are located within MUD 111.

### **Wastewater Treatment**

The District’s wastewater is treated by the Master District’s 250,000-gallon Wastewater Treatment Plant No. 1 (“WWTP No. 1”). The District’s current capacity in WWTP No. 1 will adequately serve approximately 1,470 equivalent single-family connections. The Master District began construction of a 250,000-gallon expansion to WWTP No. 1 in the fourth quarter of 2024 with expected completion in the fourth quarter of 2025. Upon completion, WWTP No. 1 will be able to adequately serve approximately 2,500 equivalent single-family connections. As of September 2025, the Master District was servicing approximately 1,642 active connections (including 1,413 which are active residential connections and 98 homes under construction or in a builder’s name), of which 192 are located within the District and the remainder are located within MUD 111.

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

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 462 single-family residential lots. Utilities are under construction to serve an additional 51 single-family residential lots with completion expected in the fourth quarter of 2025 and an additional 75 single-family residential lots with completion expected in the second quarter of 2026. See “THE DISTRICT—Land Use.”

### **Flood Protection**

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

### **Master District**

As of February 12, 2019, the District entered into a regional contract (the “Contract”) with MUD 157. Under the terms of the Contract, MUD 157 serves as the “Master District” and provides or causes to be provided the regional water supply and delivery facilities, the regional waste collection, treatment and disposal facilities, and the regional drainage facilities to serve the Artavia Districts. Under the terms of the Contract, the Master District will charge the participants a monthly operational fee based on connections. The Master District will assess a master district connection fee to the District to pay for its pro-rata share of regional capital projects. A portion for Series 2025 Bond proceeds will be used to purchase 417 connections from the Master District. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.”

### **Regulation**

Construction and operation of the District’s water, wastewater, and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Montgomery County, the City of Conroe, and the Texas Department of Health also exercise regulatory jurisdiction over the District’s water, wastewater and storm drainage facilities.

**Lone Star Groundwater Conservation District**

The District is included in the boundaries of the Lone Star Groundwater Conservation District (“LSGCD”), a Montgomery County-wide regulatory agency. LSGCD has adopted a regulatory plan which requires groundwater users within Montgomery County to develop a groundwater reduction plan and reduce their groundwater usage. Currently the Master District, which owns two groundwater wells and provides water to the District, is exempt from having to enter into a groundwater reduction plan because of the small amount of water it pumps. The Master District and the District are currently exploring various options for complying with the LSGCD plan in the future when their groundwater usage increases. The District expects to pass through any fee charged for groundwater usage under a groundwater reduction plan to its customers in their water bills.

**Water and Wastewater Operations**

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and wastewater operations are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds. The following statement sets forth in condensed form the historical results of operation of the District’s General Fund as derived from the District’s audited financial statements for the fiscal years ended April 30, 2024 and 2025. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

	<u>Fiscal Year Ended April 30</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Property Taxes	\$ 196,073	\$ 31,246
Water Service	55,098	-
Sewer Service	120,402	-
Penalty and Interest	4,950	152
Investment Income	274	50
Tap Connection & Inspection	204,192	-
Miscellaneous	80	-
Total Revenues	<u>\$ 581,069</u>	<u>\$ 31,448</u>
Expenditures:		
Professional Fees	\$ 151,740	\$ 101,542
Purchased Services	66,719	-
Contracted Services	67,930	23,433
Repairs and Maintenance	254,118	3,703
Utilities	1,553	-
Tap Connections	191,134	2,470
Other Expenditures	39,110	27,344
Total Expenditures	<u>\$ 772,304</u>	<u>\$ 158,492</u>
Net Revenues	<u>\$ (191,235)</u>	<u>\$ (127,044)</u>
Other Financing Sources (a)	\$ 246,000	\$ 130,000
General Operating Fund		
Balance (Beginning of Year)	\$ (26,907)	\$ (29,863)
General Operating Fund		
Balance (End of Year)	\$ 27,858	\$ (26,907)

(a) Developer advances. See “RISK FACTORS—Operating Funds.”

**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

2025 Taxable Assessed Valuation.....	\$ 44,938,716 (a)
Estimated Taxable Assessed Valuation as of November 1, 2025.....	\$120,189,894 (b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$17,700,000
Estimated Overlapping Debt .....	<u>2,260,190 (c)</u>
Gross Direct Debt and Estimated Overlapping Debt .....	\$19,960,190
Ratio of Gross Direct Debt to:	
Estimated Taxable Assessed Valuation as of November 1, 2025 .....	14.73%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
Estimated Taxable Assessed Valuation as of November 1, 2025 .....	16.61%
Funds Available for Debt Service:	
Road Debt Service Fund Balance as of October 2, 2025 .....	\$ 223,335 (d)
Capitalized Interest from Proceeds of the Series 2025 Bonds (Twenty-Four (24) Months) .....	1,043,263 (d)
Capitalized Interest from Proceeds of the Series 2025 Road Bonds (Twelve (12) Months).....	<u>142,163 (d)</u>
Total Funds Available for Debt Service.....	\$1,408,761
Funds Available for Maintenance and Operations as of October 2, 2025 .....	\$8,497 (e)
Funds Available for Road Capital Projects as of October 2, 2025 .....	\$ 480

- (a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). The Appraisal District has informed the District that lot and home values in multiple sections were omitted from the 2025 Taxable Assessed Valuation. The Appraisal District has confirmed that the missing value will be added to the District’s tax roll this fall on supplemental tax rolls; however, the District cannot guarantee that the corrections and inclusion of the missing values will not be delayed. See “THE DISTRICT—Description and Location” and “TAXING PROCEDURES.”
- (b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on November 1, 2025, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2025 and November 1, 2025 will be certified as of January 1, 2026. See “TAXING PROCEDURES.”
- (c) See “RISK FACTORS—Overlapping Debt and Taxes,” “—Estimated Overlapping Debt,” and “—Overlapping Taxes.”
- (d) The Road Debt Service Fund consists of capitalized interest from the Outstanding Bonds. The District will capitalize twenty-four (24) months of interest from proceeds of the Series 2025 Bonds and twelve (12) months of interest from proceeds of the Series 2025 Road Bonds. See “THE BONDS—Funds” and “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (e) See “RISK FACTORS—Operating Funds.”

**Investments of the District**

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

**Outstanding Bonds**

The District has previously issued one series of unlimited tax road bonds for acquiring or constructing road facilities in the principal amount of \$3,700,000, all of which remains outstanding (the “Outstanding Bonds”), as of the date hereof.

**Debt Service Requirements**

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

Year	Outstanding Bonds Debt Service Requirements	The Series 2025 Bonds		The Series 2025 Road Bonds		Debt Service Requirements
		Principal	Interest	Principal	Interest	
2026	\$ 236,013.76		\$ 366,590.85		\$ 99,908.65	\$ 702,513.26
2027	233,013.76	\$ 210,000	521,631.25	\$ 60,000	142,162.50	1,166,807.51
2028	235,013.76	220,000	507,981.25	60,000	138,262.50	1,161,257.51
2029	236,813.76	230,000	493,681.25	65,000	134,362.50	1,159,857.51
2030	238,413.76	240,000	478,731.25	70,000	130,137.50	1,157,282.51
2031	239,768.76	255,000	463,131.25	70,000	125,587.50	1,153,487.51
2032	235,873.76	270,000	446,556.25	75,000	121,037.50	1,148,467.51
2033	236,931.26	280,000	429,006.25	80,000	116,162.50	1,142,100.01
2034	237,731.26	295,000	410,806.25	85,000	110,962.50	1,139,500.01
2035	238,268.76	310,000	391,631.25	85,000	106,287.50	1,131,187.51
2036	243,593.76	330,000	379,231.25	90,000	102,887.50	1,145,712.51
2037	243,433.76	345,000	366,031.25	95,000	99,287.50	1,148,752.51
2038	243,058.76	365,000	352,231.25	100,000	95,487.50	1,155,777.51
2039	242,371.26	385,000	337,631.25	105,000	91,487.50	1,161,490.01
2040	246,465.00	405,000	321,750.00	110,000	87,156.25	1,170,371.25
2041	245,121.26	425,000	304,537.50	115,000	82,481.25	1,172,140.01
2042	248,558.76	445,000	286,475.00	120,000	77,593.75	1,177,627.51
2043	246,558.76	470,000	267,006.25	130,000	72,343.75	1,185,908.76
2044	249,340.00	495,000	246,443.75	135,000	66,656.25	1,192,440.00
2045	251,640.00	520,000	224,787.50	140,000	60,750.00	1,197,177.50
2046	248,500.00	550,000	202,037.50	150,000	54,450.00	1,204,987.50
2047	249,950.00	575,000	177,975.00	155,000	47,700.00	1,205,625.00
2048	250,950.00	610,000	152,100.00	165,000	40,725.00	1,218,775.00
2049	251,500.00	640,000	124,650.00	170,000	33,300.00	1,219,450.00
2050	256,600.00	675,000	95,850.00	180,000	25,650.00	1,233,100.00
2051	256,025.00	710,000	65,475.00	190,000	17,550.00	1,239,050.00
2052	-	745,000	33,525.00	200,000	9,000.00	987,525.00
Total	\$ 6,341,508.92	\$ 11,000,000	\$ 8,447,484.60	\$ 3,000,000	\$ 2,289,377.40	\$ 31,078,370.92

Average Annual Debt Service Requirements (2026-2052) ..... \$1,151,051  
 Maximum Annual Debt Service Requirement (2051) ..... \$1,239,050

**Estimated Overlapping Debt**

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 516,260,000	9/30/2025	0.040%	\$ 206,504
Conroe Independent School District.....	2,512,490,000	9/30/2025	0.080%	2,009,992
Lone Star College System.....	436,935,000	9/30/2025	0.010%	43,694
Total Overlapping Debt.....				\$ 2,260,190
The District.....	17,700,000 (a)	Current	100.00%	17,700,000
Total Direct and Estimated Overlapping Debt.....				\$ 19,960,190
Direct and Estimated Overlapping Debt as a Percentage of:				
Estimated Taxable Assessed Valuation as of November 1, 2025 of \$120,189,894.....				16.61%

(a) Includes the Bonds and the Outstanding Bonds.

**Overlapping Taxes**

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

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

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.37700
Montgomery County Hospital District.....	0.04730
Conroe Independent School District.....	0.94960
Lone Star College System.....	0.10600
Montgomery County ESD No. 9.....	0.10000
Total Overlapping Tax Rate.....	\$ 1.57990
The District (a).....	1.35000
Total Tax Rate.....	\$ 2.92990

(a) See “TAX DATA—Tax Rate Distribution.”

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “—Tax Rate Distribution” and “—Tax Roll Information” below, and “TAXING PROCEDURES.”

### Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted May 4, 2019, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “—Debt Service Tax” above.

### Tax Exemptions

The District does not currently grant any tax exemptions. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

### Tax Rate Distribution

	2025 (a)	2024	2023
Debt Service	\$ 0.23	\$ -	\$ -
Maintenance and Operations	1.12	1.35	1.35
Total	\$ 1.35	\$ 1.35	\$ 1.35

(a) The District levied a total tax rate of \$1.35 per \$100 of taxable assessed valuation for the 2025 tax year. The District may consider reallocation of the debt service and maintenance and operations tax components in December 2025 upon receipt of the 2025 supplemental tax correction rolls from the Appraisal District. The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Outstanding Bonds.

### Historical Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections As of September 30, 2025 (c)	
				Amount	Percent
2023	\$ 2,314,490	\$ 1.35	\$ 31,246	\$ 31,246	100.00%
2024	14,582,419	1.35	196,863	196,863	100.00%
2025	44,938,716	1.35	606,673	(d)	(d)

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “—Tax Roll Information” herein for gross appraised value and exemptions granted by the District.  
 (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.  
 (c) Unaudited.  
 (d) In process of collection. Taxes for 2025 are due by January 31, 2026.

**Tax Roll Information**

The District’s taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2023 through 2025 Taxable Assessed Valuation. An accurate breakdown related to the Estimated Taxable Assessed Valuation as of November 1, 2025, of \$120,189,894, is not available.

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions (a)	Taxable Assessed Valuation
	Land	Improvements	Personal Property			
2023	\$ 4,300,032	\$ -	\$ -	\$ 4,300,032	\$ (1,985,542)	\$ 2,314,490
2024	16,621,089	-	-	16,621,089	(2,038,670)	14,582,419
2025	39,248,826	9,766,915	42,777	49,058,518	(4,119,802)	44,938,716

(a) See “TAXING PROCEDURES.”

**Principal Taxpayers**

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the certified portion of the 2025 Taxable Assessed Valuation (\$44,938,716). This represents ownership as of January 1, 2025. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of November 1, 2025, of \$120,189,894 is not available.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Artavia Development Company (a)	\$ 13,831,280	30.78%
Westin Homes & Properties LP (b)	4,542,000	10.11%
Perry Homes LLC (b)	3,826,519	8.51%
Highland Homes Houston LLC (b)	3,559,500	7.92%
Jamestown Estate Homes LP (b)	1,890,000	4.21%
Weekley Homes LLC (b)	1,764,000	3.93%
Individual	624,526	1.39%
Individual	595,153	1.32%
Individual	595,153	1.32%
J. Patrick Homes Ltd.	563,500	1.25%
Total	\$ 31,791,631	70.74%

(a) See “RISK FACTORS—Dependence on Principal Taxpayers and the Developer” and “THE DEVELOPER.”

(b) See “THE DISTRICT—Homebuilders.”

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurred beyond the Estimated Taxable Assessed Valuation as of November 1, 2025 of \$120,189,894. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Outstanding Bonds and the Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “RISK FACTORS—Possible Impact on District Tax Rates” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2026-2052) .....	\$1,151,051
\$1.01 Tax Rate on Estimated Taxable Assessed Valuation as of November 1, 2025 .....	\$1,153,222
Maximum Annual Debt Service Requirement (2051).....	\$1,239,050
\$1.09 Tax Rate on Estimated Taxable Assessed Valuation as of November 1, 2025 .....	\$1,244,566

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of November 1, 2025 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

## TAXING PROCEDURES

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

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

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

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2025 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax

year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

### **General Residential Homestead Exemption**

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2025 tax year, the District has not granted a general residential homestead exemption.

### **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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal 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 petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "TAXING PROCEDURES—Rollback of Operations and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2025, approximately 158 acres of land within the District are designated for timberland.

## **Tax Abatement**

The City of Conroe and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and (if it were to annex the area) the City of Conroe may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

## **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

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

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, 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 Districts:* 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 in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

*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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Districts.

*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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

*The District:* A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For tax year 2025, the District has been designated 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

## MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, separate municipal bond insurance policies insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX C—Specimen Municipal Bond Insurance Policies."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue separate municipal bond insurance policies for the Bonds (each a "Policy" and collectively, the "Policies"). The Policies guarantee the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policies included as APPENDIX C to this OFFICIAL STATEMENT.

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

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

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com/>.

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

BAM's financial strength is rated "AA/Stable" by S&P. 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 September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 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 presale 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.

## LEGAL MATTERS

### **Legal Opinions**

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See “—Tax Exemption” herein. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel’s opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

## **Tax Exemption**

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds,” the interest on which would be included as an alternative minimum tax preference item under Section 57 (a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

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

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

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

The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

## **Collateral Federal Income Tax Consequences**

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

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

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

## **Tax Accounting Treatment of Original Issue Discount and Premium Bonds**

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

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "—Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

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

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

## **NO MATERIAL ADVERSE CHANGE**

The obligations of the Underwriter to take and pay for the Bonds, and 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 the sale.

## NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

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

### Financial Advisor

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

### Bond Counsel

Schwartz, Page & Harding, L.L.P. is employed as Bond Counsel for the District and has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this OFFICIAL STATEMENT nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

### Consultants

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

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "ROAD SYSTEM," and "WATER, WASTEWATER AND DRAINAGE" has been provided by LJA Engineering, Inc., consulting engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The financial statements of the District as of April 30, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

*Tax Appraisal and Collections:* The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

*Bookkeeper:* The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER, WASTEWATER AND DRAINAGE" has been provided from records of Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

### **Updating the Official Statement**

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

### **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Orders, the District has made the following agreement for the benefit of the registered 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 events, to the Municipal Securities Rulemaking Board (the "MSRB").

### **Annual Reports**

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Orders or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Specified 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 events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "—Annual Reports."

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects 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 the 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 a 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 Underwriter 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 reason 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**

Since its first issuance of Bonds in 2024, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

**MISCELLANEOUS**

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Montgomery County Municipal Utility District No. 158, as of the date shown on the cover page.

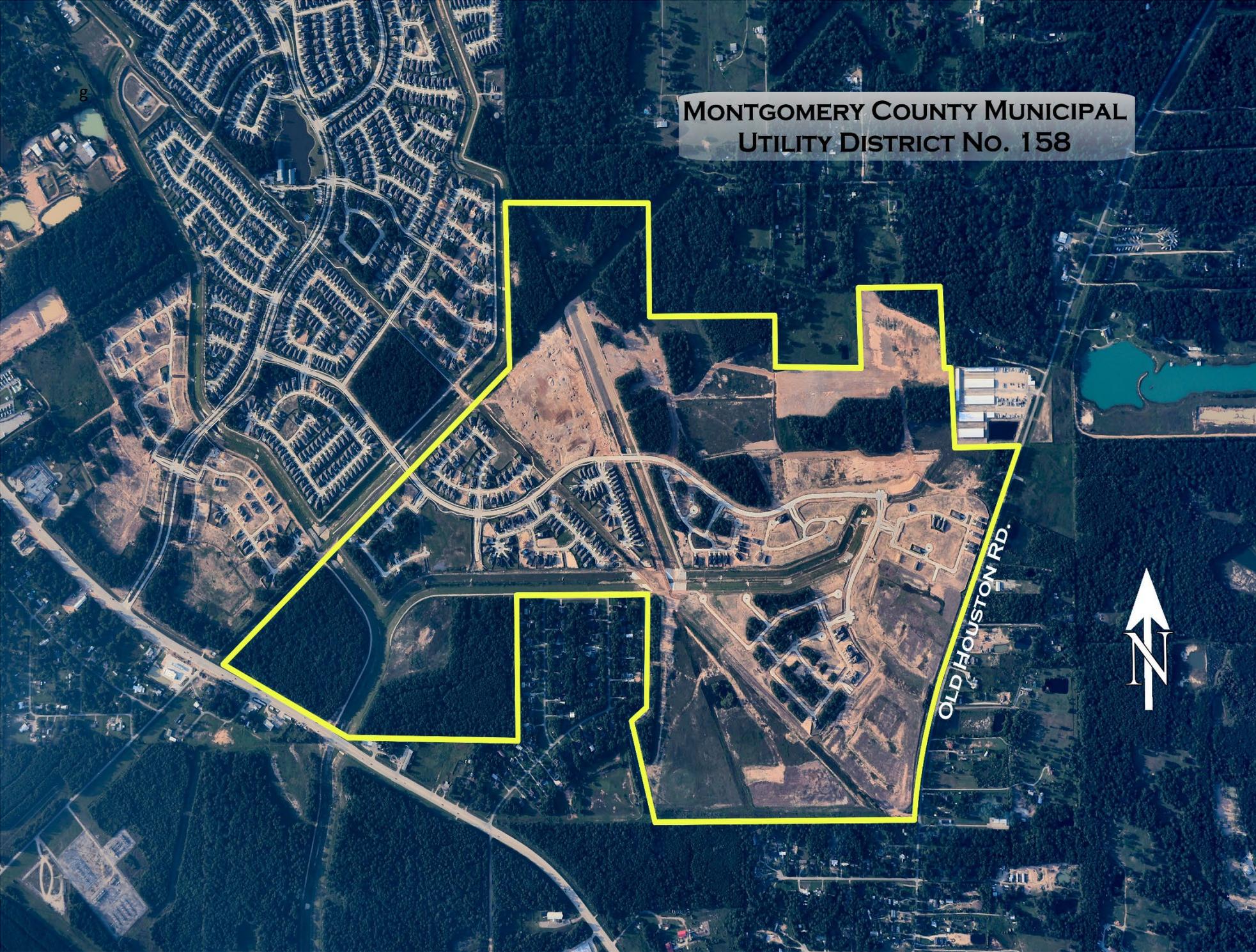
/s/ William J. Kotlan  
President, Board of Directors

ATTEST:

/s/ Erik Verduzco  
Secretary, Board of Directors

**AERIAL LOCATION MAP**  
**(Approximate boundaries as of August 2025)**

**MONTGOMERY COUNTY MUNICIPAL  
UTILITY DISTRICT No. 158**



OLD HOUSTON RD.



**PHOTOGRAPHS OF THE DISTRICT**

**(Taken August 2025)**













**APPENDIX A**

**Independent Auditor's Report and Financial Statements of the District for the year ended April 30, 2025**



# **Montgomery County Municipal Utility District No. 158 Montgomery County, Texas**

## **Independent Auditor's Report and Financial Statements**

April 30, 2025



**Montgomery County Municipal Utility District No. 158**  
**Contents**  
**April 30, 2025**

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## **Independent Auditor's Report**

Board of Directors  
Montgomery County Municipal Utility District No. 158  
Montgomery County, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 158 (the District), as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of April 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

**Forvis Mazars, LLP**

**Houston, Texas  
September 10, 2025**

### ***Overview of the Financial Statements***

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

### ***Government-Wide Financial Statements***

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

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

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

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

**Notes to Financial Statements**

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

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 555,031	\$ 28,773
Capital assets	<u>18,226,066</u>	<u>4,542,319</u>
Total assets	<u>\$ 18,781,097</u>	<u>\$ 4,571,092</u>
Long-term liabilities	\$ 32,994,281	\$ 8,985,291
Other liabilities	<u>174,498</u>	<u>55,680</u>
Total liabilities	<u>33,168,779</u>	<u>9,040,971</u>
Net position:		
Net investment in capital assets	(721,160)	(73,423)
Restricted	1,358	-
Unrestricted	<u>(13,667,880)</u>	<u>(4,396,456)</u>
Total net position	<u>\$ (14,387,682)</u>	<u>\$ (4,469,879)</u>

The total net position of the District decreased by \$9,917,803. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2025</b>	<b>2024</b>
Revenues:		
Property taxes	\$ 196,924	\$ 31,246
Charges for services	175,500	-
Other revenues	215,555	202
Total revenues	<u>587,979</u>	<u>31,448</u>
Expenses:		
Services	774,017	158,492
Conveyance of capital assets	9,058,857	4,137,249
Depreciation	381,025	73,423
Debt service	291,883	-
Total expenses	<u>10,505,782</u>	<u>4,369,164</u>
Change in net position	(9,917,803)	(4,337,716)
Net position, beginning of year	<u>(4,469,879)</u>	<u>(132,163)</u>
Net position, end of year	<u>\$ (14,387,682)</u>	<u>\$ (4,469,879)</u>

***Financial Analysis of the District's Fund***

The District's combined fund balances as of the end of the fiscal year ended April 30, 2025, were \$406,518, an increase of \$433,425 from the prior year.

The general fund's fund balance increased by \$54,765, primarily due to property taxes and service revenues and developer advances received exceeding service operations expenditures, as well as tap connection and inspection fees revenues exceeding related tap connections expenditures.

The debt service fund's fund balance increased by \$299,397 because investment income and proceeds received from the sale of the Series 2024 Road bonds were greater than bond interest requirements.

The capital projects fund's fund balanced increased by \$79,263 due to net proceeds received from the sale of the Series 2024 Road bonds exceeding capital outlay expenditures and debt issuance costs.

***General Fund Budgetary Highlights***

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water and sewer service revenues, tap connection and inspection fees revenues and related expenditures and professional fees, contracted services and repairs and maintenance expenditures being greater than anticipated. The fund balance as of April 30, 2025, was expected to be \$142,415 and the actual end-of-year fund balance was \$27,858.

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal year are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 1,534,383	\$ 1,311,705
Water facilities	1,798,789	440,845
Wastewater facilities	6,307,176	788,937
Drainage facilities	8,585,718	2,000,832
	<u>\$ 18,226,066</u>	<u>\$ 4,542,319</u>

During the current year, additions to capital assets were as follows:

Water, sewer and drainage facilities to serve Artavia, Sections 29 through 33, Astaire Parkway, Phase 3, Artavia Parkway, Phase 2, and Artiva, Section 23, and Picasso Pass, Phase 1	\$ 12,378,521
Lift station No. 1	1,301,118
Astaire culvert bridge No. 2	162,455
Clearing and grubbing in Artavia, Phases 17A, 17B and 18	222,678
	<u>\$ 14,064,772</u>

The developer within the District has constructed facilities on behalf of the District under the terms of the contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of April 30, 2025, a liability for developer constructed capital assets of \$28,924,279 was recorded in the government-wide financial statements.

**Debt**

The changes in the debt position of the District during the fiscal year ended April 30, 2025, are summarized as follows:

Long-term debt payable, beginning of year	\$ 8,985,291
Increases in long-term debt	25,231,273
Decreases in long-term debt	<u>(1,222,283)</u>
	<u>\$ 32,994,281</u>

At April 30, 2025, the District had \$136,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$49,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing parks and recreational facilities and \$74,300,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities.

The District's bonds do not carry an underlying or insured rating.

***Other Relevant Factors***

***Relationship to the City of Conroe***

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe (the City), the District must conform to the City ordinance consenting to the creation, which required that the District enter into a Strategic Partnership Agreement (the Agreement) between the District and the City. The District consented to limited-purpose annexation at any time and to full-purpose annexation of the District by the City on or after December 31, 2049, or at any earlier time after the District has achieved 90% build out as defined in the Agreement.

***Economic Dependency***

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced \$478,300 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

***Contingencies***

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. Current construction contract amounts are approximately \$65,300. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Montgomery County Municipal Utility District No. 158**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**April 30, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 127,357	\$ -	\$ 455	\$ 127,812	\$ -	\$ 127,812
Short-term investments	438	299,397	83,308	383,143	-	383,143
Receivables:						
Property taxes	851	-	-	851	-	851
Service accounts	20,711	-	-	20,711	-	20,711
Due from others	100	-	-	100	-	100
Operating reserve	22,414	-	-	22,414	-	22,414
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	1,534,383	1,534,383
Infrastructure	-	-	-	-	16,691,683	16,691,683
<b>Total assets</b>	<b>\$ 171,871</b>	<b>\$ 299,397</b>	<b>\$ 83,763</b>	<b>\$ 555,031</b>	<b>\$ 18,226,066</b>	<b>\$ 18,781,097</b>
<b>Liabilities</b>						
Accounts payable	\$ 124,362	\$ -	\$ 4,500	\$ 128,862	\$ -	\$ 128,862
Accrued interest payable	-	-	-	-	26,836	26,836
Customer deposits	18,800	-	-	18,800	-	18,800
Long-term liabilities, due after one year	-	-	-	-	32,994,281	32,994,281
<b>Total liabilities</b>	<b>143,162</b>	<b>-</b>	<b>4,500</b>	<b>147,662</b>	<b>33,021,117</b>	<b>33,168,779</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	851	-	-	851	(851)	-
<b>Fund Balances/Net Position</b>						
Fund balances:						
Restricted:						
Road bonds	-	299,397	-	299,397	(299,397)	-
Roads	-	-	79,263	79,263	(79,263)	-
Assigned to operating reserve	22,414	-	-	22,414	(22,414)	-
Unassigned	5,444	-	-	5,444	(5,444)	-
<b>Total fund balances</b>	<b>27,858</b>	<b>299,397</b>	<b>79,263</b>	<b>406,518</b>	<b>(406,518)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 171,871</b>	<b>\$ 299,397</b>	<b>\$ 83,763</b>	<b>\$ 555,031</b>		
Net position:						
Net investment in capital assets					(721,160)	(721,160)
Restricted for capital projects					1,358	1,358
Unrestricted					(13,667,880)	(13,667,880)
<b>Total net position</b>					<b>\$ (14,387,682)</b>	<b>\$ (14,387,682)</b>

**Montgomery County Municipal Utility District No. 158**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended April 30, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 196,073	\$ -	\$ -	\$ 196,073	\$ 851	\$ 196,924
Water service	55,098	-	-	55,098	-	55,098
Sewer service	120,402	-	-	120,402	-	120,402
Penalty and interest	4,950	-	-	4,950	-	4,950
Tap connection and inspection fees	204,192	-	-	204,192	-	204,192
Investment income	274	4,652	1,407	6,333	-	6,333
Other income	80	-	-	80	-	80
<b>Total revenues</b>	<b>581,069</b>	<b>4,652</b>	<b>1,407</b>	<b>587,128</b>	<b>851</b>	<b>587,979</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	66,719	-	-	66,719	-	66,719
Professional fees	151,740	-	-	151,740	1,664	153,404
Contracted services	67,930	-	-	67,930	-	67,930
Utilities	1,553	-	-	1,553	-	1,553
Repairs and maintenance	254,118	-	-	254,118	-	254,118
Other expenditures	39,110	-	49	39,159	-	39,159
Tap connections	191,134	-	-	191,134	-	191,134
Capital outlay	-	-	2,954,005	2,954,005	(2,954,005)	-
Conveyance of capital assets	-	-	-	-	9,058,857	9,058,857
Depreciation	-	-	-	-	381,025	381,025
Debt service:						
Interest and fees	-	27,283	-	27,283	29,538	56,821
Debt issuance costs	-	-	235,062	235,062	-	235,062
<b>Total expenditures/expenses</b>	<b>772,304</b>	<b>27,283</b>	<b>3,189,116</b>	<b>3,988,703</b>	<b>6,517,079</b>	<b>10,505,782</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(191,235)</b>	<b>(22,631)</b>	<b>(3,187,709)</b>	<b>(3,401,575)</b>	<b>(6,516,228)</b>	
<b>Other Financing Sources (Uses)</b>						
Developer advances received	246,000	-	-	246,000	(246,000)	
General obligation bonds issued	-	322,028	3,377,972	3,700,000	(3,700,000)	
Discount on debt issued	-	-	(111,000)	(111,000)	111,000	
<b>Total other financing sources</b>	<b>246,000</b>	<b>322,028</b>	<b>3,266,972</b>	<b>3,835,000</b>	<b>(3,835,000)</b>	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>54,765</b>	<b>299,397</b>	<b>79,263</b>	<b>433,425</b>	<b>(433,425)</b>	
<b>Change in Net Position</b>					<b>(9,917,803)</b>	<b>(9,917,803)</b>
<b>Fund Balances (Deficit)/Net Position</b>						
Beginning of year	(26,907)	-	-	(26,907)	-	(4,469,879)
End of year	<u>\$ 27,858</u>	<u>\$ 299,397</u>	<u>\$ 79,263</u>	<u>\$ 406,518</u>	<u>\$ -</u>	<u>\$ (14,387,682)</u>

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

Montgomery County Municipal Utility District No. 158 (the District) was created by Senate Bill Number 1526 (the Bill) of the 85<sup>th</sup> Legislature of the State of Texas, effective September 1, 2017, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational, and road and paving facilities and to provide such facilities and services to the customers of the District.

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

### ***Reporting Entity***

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

### ***Government-Wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

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

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

The District presents the following major governmental funds:

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

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

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

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

***Fund Balances – Governmental Funds***

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

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

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

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

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

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

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

***Measurement Focus and Basis of Accounting***

***Government-Wide Financial Statements***

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

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

***Fund Financial Statements***

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

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

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

***Deferred Outflows and Inflows of Resources***

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

***Interfund Transactions***

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

***Pension Costs***

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

***Use of Estimates***

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

***Investments and Investment Income***

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

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

***Property Taxes***

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended April 30, 2025, include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended April 30, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

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**Capital Assets**

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

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

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

**Debt Issuance Costs**

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

**Long-Term Obligations**

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

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

**Net Position/Fund Balances**

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

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

**Reconciliation of Government-Wide and Fund Financial Statements**

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because of the items on the following page.

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

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Capital assets used in governmental activities are not financial and are not reported in the funds.	\$ 18,226,066
Property tax revenue recognition and the related reduction of deferred inflows of resources, are subject to availability of funds in the fund financial statements.	851
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(26,836)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(32,994,281)</u>
Adjustment to fund balance to arrive at net position.	<u>\$ (14,794,200)</u>

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

Change in fund balance	\$ 433,425
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another entity for maintenance. This is the amount by which conveyance of capital assets, depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.	(6,487,541)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(246,000)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	111,000
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(3,700,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	851
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(29,538)</u>
Change in net position of governmental activities.	<u>\$ (9,917,803)</u>

**Note 2. Deposits, Investments and Investment Income**

**Deposits**

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

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

At April 30, 2025, none of the District’s bank balances were exposed to custodial credit risk.

**Investments**

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

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

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

At April 30, 2025, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 383,143	\$ 383,143	\$ -	\$ -	\$ -

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

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2025, the District’s investments in Texas CLASS were rated “AAAm” by Standard & Poor’s.

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

**Summary of Carrying Values**

The carrying value of deposits and investments shown previously are included in the balance sheet and statement of net position at April 30, 2025, as follows:

Carrying value:		
Deposits	\$	127,812
Investments		<u>383,143</u>
Total	\$	<u><u>510,955</u></u>

**Investment Income**

Investment income of \$6,333 for the year ended April 30, 2025, consisted of interest income.

**Fair Value Measurements**

The District has the following recurring fair value measurements as of April 30, 2025:

- Pooled investments of \$383,143 are valued at fair value per share of the pool's underlying portfolio.

**Note 3. Capital Assets**

A summary of changes in capital assets for the year ended April 30, 2025, is presented as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 1,311,705	\$ 222,678	\$ 1,534,383
Capital assets, depreciable:			
Water production and distribution facilities	450,864	1,399,053	1,849,917
Wastewater collection and treatment facilities	806,867	5,661,992	6,468,859
Drainage facilities	<u>2,046,306</u>	<u>6,781,049</u>	<u>8,827,355</u>
Total capital assets, depreciable	<u>3,304,037</u>	<u>13,842,094</u>	<u>17,146,131</u>
Less accumulated depreciation:			
Water production and distribution facilities	(10,019)	(41,109)	(51,128)
Wastewater collection and treatment facilities	(17,930)	(143,753)	(161,683)
Drainage facilities	<u>(45,474)</u>	<u>(196,163)</u>	<u>(241,637)</u>
Total accumulated depreciation	<u>(73,423)</u>	<u>(381,025)</u>	<u>(454,448)</u>
Total governmental activities, net	<u><u>\$ 4,542,319</u></u>	<u><u>\$ 13,683,747</u></u>	<u><u>\$ 18,226,066</u></u>

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

**Note 4. Long-Term Liabilities**

Changes in long-term liabilities for the year ended April 30, 2025, were as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable:					
General obligation bonds	\$ -	\$ 3,700,000	\$ -	\$ 3,700,000	\$ -
Less discounts on bonds	-	111,000	2,702	108,298	-
	-	3,589,000	(2,702)	3,591,702	-
Due to developer, construction	8,752,991	21,396,273	1,224,985	28,924,279	-
Due to developer, advances	232,300	246,000	-	478,300	-
Total governmental activities long-term liabilities	<u>\$ 8,985,291</u>	<u>\$ 25,231,273</u>	<u>\$ 1,222,283</u>	<u>\$ 32,994,281</u>	<u>\$ -</u>

**General Obligation Bonds**

	<u>Road Series 2024</u>
Amount outstanding, April 30, 2025	\$3,700,000
Interest rates	4.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2026/2051
Interest payment dates	September 1/ March 1
Callable date*	September 1, 2031

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at April 30, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	\$ 161,014	\$ 161,014
2027	75,000	159,514	234,514
2028	75,000	156,514	231,514
2029	80,000	153,414	233,414
2030	85,000	150,114	235,114
2031-2035	485,000	693,646	1,178,646
2036-2040	620,000	577,324	1,197,324
2041-2045	795,000	423,631	1,218,631
2046-2050	1,005,000	225,020	1,230,020
2051-2052	480,000	21,825	501,825
Total	<u>\$ 3,700,000</u>	<u>\$ 2,722,016</u>	<u>\$ 6,422,016</u>

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

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

Bonds voted:	
Water, sewer and drainage facilities	\$ 136,500,000
Water, sewer and drainage refunding	204,750,000
Parks and recreational facilities	49,500,000
Parks and recreational refunding	74,250,000
Road and paving facilities	78,000,000
Road and paving refunding	117,000,000
Bonds sold:	
Road and paving facilities	3,700,000

***Due to Developer – Construction***

The developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District’s engineer estimates reimbursable costs for completed projects are \$28,924,279. These amounts have been recorded in the financial statements as long-term liabilities.

**Note 5. Significant Bond Order and Commission Requirements**

- (A) The Road Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended April 30, 2024, the District did not levy an ad valorem road debt service tax for the 2024 tax year. The interest requirements to be paid from available resources is \$107,790 of which \$27,283 has been paid and \$80,507 is due September 1, 2025.
- (B) In accordance with the Series 2024 Road Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$ -
Additions--Interest appropriated from Road Series 2024 bond proceeds	322,028
Deductions--Appropriation from bond interest paid, Road Series 2024	<u>27,283</u>
Bond interest reserve, end of year	<u><u>\$ 294,745</u></u>

**Note 6. Maintenance Taxes**

At an election held May 4, 2019, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended April 30, 2025, the District levied an ad valorem maintenance tax at the rate of \$1.3500 per \$100 of assessed valuation, which resulted in a tax levy of \$196,924 on the taxable valuation of \$14,586,894 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Montgomery County Municipal Utility District No. 158**  
**Notes to Financial Statements**  
**April 30, 2025**

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At an election held May 4, 2019, voters authorized a road maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended April 30, 2025, the District did not levy an ad valorem road maintenance tax for the 2024 tax year. The road maintenance tax will be used by the general fund to pay expenditures of operating and maintaining roads and paving facilities within the District.

At an election held May 4, 2019, voters authorized a parks and recreational maintenance tax not to exceed \$0.10 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended April 30, 2024, the District did not levy an ad valorem parks and recreational maintenance tax for the 2024 tax year. The parks and recreational maintenance tax will be used by the general fund to pay expenditures of operating and maintaining parks and recreational facilities within the District.

**Note 7. Strategic Partnership Agreement**

Effective November 14, 2024, the District and the City of Conroe (the City) entered into a Strategic Partnership Agreement (the Agreement). Under the terms of the Agreement, the District consented to limited-purpose annexation at any time and to full-purpose annexation of the District by the City on or after December 31, 2049, or at any earlier time after the District has achieved 90% build out as defined in the Agreement.

**Note 8. Financing and Operation of Regional Facilities**

On February 12, 2019, the District entered into a regional facilities contract with Montgomery County Municipal Utility District No. 157 (District No. 157), Montgomery County Municipal Utility District No. 106 (District No. 106) and Montgomery County Municipal Utility District No. 111 (District No. 111), whereby District No. 157 will act as the master district and provide, or cause to be provided, the regional water supply and distribution, waste collection and treatment and storm sewer, drainage and detention facilities necessary to serve the District.

Under the terms of the regional facilities contract, which is in effect for 50 years, monthly operating charges will be determined by multiplying the total number of actual equivalent single-family residential connections within the District on the first day of the previous month by the budgeted monthly unit cost per equivalent single-family residential connection. For the year ended April 30, 2025, the District paid \$23,429 for water and \$42,302 for sewer operating costs attributable to this contract for the year ended April 30, 2025. District No. 157 is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, District No. 157 plans to acquire, construct, extend, own, operate and maintain the regional facilities and intends to finance the capital costs of the regional facilities from connection charges paid by each participant district. The connection fee charge per equivalent single-family connection is currently \$20,073. As of April 30, 2025, the District has not purchased any master connections. In addition, District No. 157 is authorized, under certain circumstances, to issue contract revenue bonds sufficient to complete acquisition, construction or improvements of the regional facilities, as needed, to serve the Participants in the service area. Each participant is obligated to pay its pro rata share of the debt service requirements on District No. 157's contract revenue bonds.

**Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Note 10. Economic Dependency**

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced \$478,300 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

**Note 11. Contingencies**

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. Current construction contract amounts are approximately \$65,300. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Note 12. Subsequent Event**

Subsequent to year-end, the District filed a bond application with the Commission for the issuance of up to \$11,000,000 in bonds.

***Required Supplementary Information***

**Montgomery County Municipal Utility District No. 158**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended April 30, 2025**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Property taxes	\$ 30,300	\$ 184,100	\$ 196,073	\$ 11,973
Water service	20,000	6,400	55,098	48,698
Sewer service	20,000	900	120,402	119,502
Penalty and interest	1,500	1,500	4,950	3,450
Tap connection and inspection fees	150,600	150,400	204,192	53,792
Investment income	-	-	274	274
Other income	-	-	80	80
<b>Total revenues</b>	<u>222,400</u>	<u>343,300</u>	<u>581,069</u>	<u>237,769</u>
<b>Expenditures</b>				
Service operations:				
Purchased services	86,878	86,878	66,719	20,159
Professional fees	101,000	120,500	151,740	(31,240)
Contracted services	58,500	37,200	67,930	(30,730)
Utilities	3,600	1,200	1,553	(353)
Repairs and maintenance	20,000	66,700	254,118	(187,418)
Other expenditures	30,500	37,500	39,110	(1,610)
Tap connections	75,000	75,000	191,134	(116,134)
<b>Total expenditures</b>	<u>375,478</u>	<u>424,978</u>	<u>772,304</u>	<u>(347,326)</u>
<b>Deficiency of Revenues Over Expenditures</b>	(153,078)	(81,678)	(191,235)	(109,557)
<b>Other Financing Sources</b>				
Developer advances received	153,078	251,000	246,000	(5,000)
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	169,322	54,765	(114,557)
<b>Fund Balance (Deficit), Beginning of Year</b>	<u>(26,907)</u>	<u>(26,907)</u>	<u>(26,907)</u>	<u>-</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ (26,907)</u>	<u>\$ 142,415</u>	<u>\$ 27,858</u>	<u>\$ (114,557)</u>

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

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

***Supplementary Information***

**Montgomery County Municipal Utility District No. 158**  
**Other Schedules Included Within This Report**  
**April 30, 2025**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 10-20
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund  
and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

**Montgomery County Municipal Utility District No. 158**  
**Schedule of Services and Rates**  
**Year Ended April 30, 2025**

1. Services provided by the District:

- |  |   |  |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input checked="" type="checkbox"/> Roads    |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |  |
| <input type="checkbox"/> Other _____   |   |  |

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ <u>20.00</u>	<u>10,000</u>	<u>N</u>	\$ <u>1.50</u>	<u>10,001 to 15,000</u>
				\$ <u>1.75</u>	<u>15,001 to 20,000</u>
				\$ <u>2.00</u>	<u>20,001 to 25,000</u>
				\$ <u>2.50</u>	<u>25,001 to 30,000</u>
				\$ <u>3.50</u>	<u>30,000 to No Limit</u>

Wastewater: \$ 53.27 - Y

Groundwater conservation fee: \$ \$ 0.0935 - N \$ \$ 0.0935 1,001 to No Limit

Does the District employ winter averaging for wastewater usage? Yes      No X

Total charges per 10,000 gallons usage (including fees): Water \$ \$ 20.94 Wastewater \$ 53.27

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	<u>-</u>	<u>-</u>	x1.0	<u>-</u>
≤ 3/4"	<u>148</u>	<u>146</u>	x1.0	<u>146</u>
1"	<u>7</u>	<u>7</u>	x2.5	<u>18</u>
1 1/2"	<u>-</u>	<u>-</u>	x5.0	<u>-</u>
2"	<u>2</u>	<u>2</u>	x8.0	<u>16</u>
3"	<u>-</u>	<u>-</u>	x15.0	<u>-</u>
4"	<u>-</u>	<u>-</u>	x25.0	<u>-</u>
6"	<u>-</u>	<u>-</u>	x50.0	<u>-</u>
8"	<u>-</u>	<u>-</u>	x80.0	<u>-</u>
10"	<u>-</u>	<u>-</u>	x115.0	<u>-</u>
Total water	<u>157</u>	<u>155</u>		<u>180</u>
Total wastewater	<u>155</u>	<u>153</u>	x1.0	<u>153</u>

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	<u>9,586</u>
Gallons billed to customers:	<u>8,610</u>
Water accountability ratio (gallons billed/gallons pumped):	<u>90%</u>

\*"ESFC" means equivalent single-family connections

**Montgomery County Municipal Utility District No. 158**  
**Schedule of General Fund Expenditures**  
**Year Ended April 30, 2025**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	15,500	
Legal		112,269	
Engineering		23,971	
Financial advisor		-	151,740
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			66,719
<b>Regional Water Fee</b>			-
<b>Contracted Services</b>			
Bookkeeping		43,833	
General manager		-	
Appraisal district		2,666	
Tax collector		4,800	
Security		-	
Other contracted services		11,346	62,645
<b>Utilities</b>			1,553
<b>Repairs and Maintenance</b>			254,118
<b>Administrative Expenditures</b>			
Directors' fees		11,713	
Office supplies		5,569	
Insurance		6,638	
Other administrative expenditures		15,190	39,110
<b>Capital Outlay</b>			
Capitalized assets		-	
Expenditures not capitalized		-	-
<b>Tap Connection Expenditures</b>			191,134
<b>Solid Waste Disposal</b>			5,285
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
Total expenditures		\$	<u><u>772,304</u></u>

**Montgomery County Municipal Utility District No. 158**  
**Schedule of Temporary Investments**  
**April 30, 2025**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
<b>General Fund</b>				
Texas CLASS	4.44%	Demand	\$ 438	\$ -
<b>Debt Service Fund</b>				
Texas CLASS	4.44%	Demand	299,397	-
<b>Capital Projects Fund</b>				
Texas CLASS	4.44%	Demand	<u>83,308</u>	<u>-</u>
Totals			<u>\$ 383,143</u>	<u>\$ -</u>

**Montgomery County Municipal Utility District No. 158**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended April 30, 2025**

	<u>Maintenance Taxes</u>	
<b>Receivable, Beginning of Year</b>	\$	<u>-</u>
<b>2024 Original Tax Levy</b>		204,580
Additions and corrections		<u>(7,656)</u>
Adjusted tax levy		<u>196,924</u>
Total to be accounted for		196,924
Current year tax collections		<u>(196,073)</u>
Receivable, end of year	\$	<u><u>851</u></u>
<b>Receivable, by Years</b>		
2024	\$	<u><u>851</u></u>
	<u>2024</u>	<u>2023</u>
<b>Property Valuations</b>		
Land	\$ 16,621,089	\$ -
Improvements	-	4,300,032
Exemptions	<u>(2,034,195)</u>	<u>(1,985,542)</u>
Total property valuations	<u>\$ 14,586,894</u>	<u>\$ 2,314,490</u>
<b>Tax Rates per \$100 Valuation</b>		
Maintenance tax rates*	<u>\$ 1.3500</u>	<u>\$ 1.3500</u>
<b>Tax Levy</b>	<u>\$ 196,924</u>	<u>\$ 31,246</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>99%</u>	<u>100%</u>

\*Maximum tax rate approved by voters: \$1.50 on May 4, 2019

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

**Montgomery County Municipal Utility District No. 158**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**April 30, 2025**

<u>Due During Fiscal Years Ending April 30</u>	<u>Road Series 2024</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ -	\$ 161,014	\$ 161,014
2027	75,000	159,514	234,514
2028	75,000	156,514	231,514
2029	80,000	153,414	233,414
2030	85,000	150,114	235,114
2031	90,000	146,591	236,591
2032	95,000	142,821	237,821
2033	95,000	138,903	233,903
2034	100,000	134,831	234,831
2035	105,000	130,500	235,500
2036	110,000	125,931	235,931
2037	120,000	121,014	241,014
2038	125,000	115,746	240,746
2039	130,000	110,215	240,215
2040	135,000	104,418	239,418
2041	145,000	98,293	243,293
2042	150,000	91,840	241,840
2043	160,000	85,059	245,059
2044	165,000	77,949	242,949
2045	175,000	70,490	245,490
2046	185,000	62,570	247,570
2047	190,000	54,225	244,225
2048	200,000	45,450	245,450
2049	210,000	36,225	246,225
2050	220,000	26,550	246,550
2051	235,000	16,312	251,312
2052	245,000	5,513	250,513
Totals	<u>\$ 3,700,000</u>	<u>\$ 2,722,016</u>	<u>\$ 6,422,016</u>

**Montgomery County Municipal Utility District No. 158**  
**Changes in Long-Term Bonded Debt**  
**Year Ended April 30, 2025**

	<b>Bond Issue</b>
	<b>Road Series 2024</b>
Interest rates	4.00% to 4.50%
Dates interest payable	September 1/ March 1
Maturity dates	September 1, 2026/2051
Bonds outstanding, beginning of the current year	\$ -
Bonds sold during the current year	3,700,000
Retirements, principal	-
Bonds outstanding, end of current year	\$ 3,700,000
Interest paid during the current year	\$ 27,283

Paying agent's name and address:

**Series 2024** - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority:	<b>Tax Bonds</b>	<b>Recreational Bonds</b>	<b>Road Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 136,500,000	\$ 49,500,000	\$ 78,000,000	\$ 396,000,000
Amount issued	\$ -	\$ -	\$ 3,700,000	\$ -
Remaining to be issued	\$ 136,500,000	\$ 49,500,000	\$ 74,300,000	\$ 396,000,000

Debt service fund cash and temporary investment balances as of April 30, 2025: \$ 299,397

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 237,852

**Montgomery County Municipal Utility District No. 158  
Comparative Schedule of Revenues and Expenditures – General Fund  
Two Years Ended April 30,**

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
<b>General Fund</b>				
<b>Revenues</b>				
Property taxes	\$ 196,073	\$ 31,246	33.6 %	99.4 %
Water service	55,098	-	9.5	-
Sewer service	120,402	-	20.6	-
Penalty and interest	4,950	152	1.2	0.5
Tap connection and inspection fees	204,192	-	35.0	-
Investment income	274	50	0.1	0.1
Other income	80	-	0.0	-
<b>Total revenues</b>	<b>581,069</b>	<b>31,448</b>	<b>100.0</b>	<b>100.0</b>
<b>Expenditures</b>				
Service operations:				
Purchased services	66,719	-	11.8	-
Professional fees	151,740	101,542	26.0	322.9
Contracted services	67,930	23,433	11.3	74.5
Utilities	1,553	-	0.2	-
Repairs and maintenance	254,118	3,703	43.6	11.8
Other expenditures	39,110	27,344	7.1	86.9
Tap connections	191,134	2,470	32.8	7.9
<b>Total expenditures</b>	<b>772,304</b>	<b>158,492</b>	<b>132.8</b>	<b>504.0</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(191,235)</b>	<b>(127,044)</b>	<b>(32.8) %</b>	<b>(404.0) %</b>
<b>Other Financing Sources</b>				
Developer advances received	246,000	130,000		
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>54,765</b>	<b>2,956</b>		
<b>Fund Balance (Deficit), Beginning of Year</b>	<b>(26,907)</b>	<b>(29,863)</b>		
<b>Fund Balance (Deficit), End of Year</b>	<b>\$ 27,858</b>	<b>(26,907)</b>		
<b>Total Active Retail Water Connections</b>	<b>155</b>	<b>2</b>		
<b>Total Active Retail Wastewater Connections</b>	<b>153</b>	<b>2</b>		

**Montgomery County Municipal Utility District No. 158  
 Schedule of Revenues and Expenditures – Debt Service Fund  
 Year Ended April 30, 2025**

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
<b>Debt Service Fund</b>		
<b>Revenues</b>		
Investment income	\$ 4,652	100.0 %
<b>Expenditures</b>		
Debt service, interest and fees	<u>27,283</u>	<u>586.5</u>
<b>Deficiency of Revenues Over Expenditures</b>	(22,631)	<u>(486.5) %</u>
<b>Other Financing Sources</b>		
General obligation bonds issued	<u>322,028</u>	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	299,397	
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	
<b>Fund Balance, End of Year</b>	<u><u>\$ 299,397</u></u>	

**Montgomery County Municipal Utility District No. 158  
Board Members, Key Personnel and Consultants  
Year Ended April 30, 2025**

Complete District mailing address:	Montgomery County Municipal Utility District No. 158 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):	June 6, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected &amp; Expires</u>	<u>Fees</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
William J. Kotlan	Elected 05/22- 05/26	\$ 1,768	\$ -	President
Sara Dunn	Elected 05/22- 05/26	2,210	-	Vice President
Erik Verduzco	Elected 05/22- 05/26	2,652	-	Secretary
Harrison Kerr	Elected 05/24- 05/28	2,873	1,005	Assistant Secretary
William A. Little	Elected 05/24- 05/28	2,210	543	Assistant Secretary

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

**Montgomery County Municipal Utility District No. 158  
Board Members, Key Personnel and Consultants  
Year Ended April 30, 2025**

**(Continued)**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Assessments of the Southwest, Inc.	06/28/22	\$ 4,965	Tax Assessor/ Collector
Forvis Mazars, LLP	04/04/24	28,500	Auditor
Inframark, LLC	03/14/22	446,085	Operator
LJA Engineering, Inc.	02/12/19	41,971	Engineer
Masterson Advisors LLC	03/02/23	79,779	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	2,666	Appraiser
Municipal Accounts & Consulting, L.P.	02/12/19	49,657	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/14/23	-	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	12/20/22	125,019 103,434	General Counsel Bond Counsel
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	06/28/22	N/A	Bookkeepers

## **APPENDIX B**

### **Financial Information Concerning Artavia Development Company**

Artavia Development Company (the “Developer” or “ADC”) has delivered the unaudited financial information included in this Appendix (the “Financial Information”) to the District for publication in connection with the District’s offer and sale of the Bonds. The Financial Information has been included herein solely as additional information concerning the Developer, its financial condition and its source of funds. Such Financial Information is relevant, among other reasons, to such entity’s ability to continue developing land within the District and to pay ad valorem taxes on land and improvements owned by such entity within the District. The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or any other obligation of the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. The Developer has no legal commitment to the District or holders of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any of its other assets, at any time. Further, the financial condition of the Developer is subject to change, and no financial information concerning the Developer will be provided by the District after the sale of the Bonds, except as described herein under “CONTINUING DISCLOSURE OF INFORMATION.” Therefore, the District cautions that the Financial Information should not be construed or interpreted as an indication of the creditworthiness of the Bonds. The Developer represented to the District that the Financial Information has been prepared from its books and records, fairly represents the financial condition of each as of the dates indicated and does not fail to disclose any material fact or omit to state any material facts necessary to make such Financial Information not misleading and that there has not been any material adverse change in the financial condition of the Developer, since the dates at which the Financial Information was presented.

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# ARTAVIA DEVELOPMENT COMPANY

FINANCIAL STATEMENTS – INCOME TAX BASIS

DECEMBER 31, 2024 AND 2023

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Tax | Audit | Advisory

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

October 1, 2025

To the Shareholders  
Artavia Development Company  
Houston, Texas

We have reviewed the accompanying financial statements of Artavia Development Company (an S Corporation), which comprise the statements of assets, liabilities and shareholders' equity – income tax basis as of December 31, 2024 and 2023, and the related statements of revenues and expenses – income tax basis, and changes in shareholders' equity – income tax basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material

modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Artavia Development Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the company uses for income tax purposes.

### **Basis of Accounting**

We draw attention to Note 1 to the financial statements, which describes the basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Houston, Texas

ARTAVIA DEVELOPMENT COMPANY  
STATEMENTS OF ASSETS AND LIABILITIES - INCOME TAX BASIS  
DECEMBER 31, 2024 AND 2023

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,406,536	\$ 30,884,838
Accounts receivable	113,642	-
<b>TOTAL CURRENT ASSETS</b>	<b>7,520,178</b>	<b>30,884,838</b>
<b>NON-CURRENT ASSETS</b>		
Fixed assets, net	-	-
Land and development costs	-	21,054,685
Other noncurrent assets	-	400,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>21,454,685</b>
<b>TOTAL ASSETS</b>	<b>7,520,178</b>	<b>52,339,523</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,030,800	\$ 1,429,537
Retainage payable	2,688,924	1,378,633
Other accrued liabilities	358,011	348,255
Shareholder notes payable - current	-	6,640,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,077,735</b>	<b>9,796,425</b>
<b>LONG TERM LIABILITIES</b>		
SR lender note payable	77,020,310	86,655,708
Pilot land 357 note payable	11,441,899	13,282,853
Pilot land 745 note payable	153,742,518	162,960,251
Shareholder notes payable - Long term	12,862,085	6,186,115
<b>TOTAL LONG TERM LIABILITIES</b>	<b>255,066,812</b>	<b>269,084,927</b>
<b>TOTAL LIABILITIES</b>	<b>261,144,547</b>	<b>278,881,352</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$.01 par value; 5,062,749,900 shares authorized, issued and outstanding	50,627,499	50,627,499
Retained earnings (deficit)	(304,251,868)	(277,169,328)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(253,624,369)</b>	<b>(226,541,829)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 7,520,178</b>	<b>\$ 52,339,523</b>

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

ARTAVIA DEVELOPMENT COMPANY  
STATEMENTS OF REVENUES AND EXPENSES - INCOME TAX BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES		
Lot sales	\$ 38,300,553	\$ 33,071,717
Marketing fee income	<u>1,444,221</u>	<u>1,241,396</u>
TOTAL REVENUES	39,744,774	34,313,113
COST OF LOT SALES	<u>78,048,529</u>	<u>148,998,679</u>
GROSS PROFIT (LOSS)	<u>(38,303,755)</u>	<u>(114,685,566)</u>
OPERATING EXPENSES		
General, selling and administrative	<u>3,818,314</u>	<u>2,990,485</u>
OPERATING LOSS	<u>(42,122,069)</u>	<u>(117,676,051)</u>
OTHER INCOME (EXPENSE)		
Other income	104,781	92,375
MUD revenue	18,304,221	39,173,113
Interest income	2,191,692	1,970,274
Interest expense	<u>(5,561,165)</u>	<u>(5,254,892)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>15,039,529</u>	<u>35,980,870</u>
NET LOSS	<u>\$ (27,082,540)</u>	<u>\$ (81,695,181)</u>

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

ARTAVIA DEVELOPMENT COMPANY  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - INCOME TAX BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Common Stock</u>	<u>Retained Deficit</u>	<u>Total</u>
BALANCE AT JANUARY 1, 2023	\$ 50,627,499	\$ (195,474,147)	\$ (144,846,648)
NET LOSS	-	(81,695,181)	(81,695,181)
BALANCE AT DECEMBER 31, 2023	\$ 50,627,499	\$ (277,169,328)	\$ (226,541,829)
NET LOSS	-	(27,082,540)	(27,082,540)
BALANCE AT DECEMBER 31, 2024	<u>\$ 50,627,499</u>	<u>\$ (304,251,868)</u>	<u>\$ (253,624,369)</u>

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

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

ARTAVIA Development Company, (the "Company") is a Texas corporation that was formed for the purpose of developing residential master-planned communities in Conroe, Texas (the "Project", or "Community"), and began operations on January 30, 2018. The following are the Company's significant accounting policies:

Basis of Accounting

The accompanying financial statements on the accounting basis used by the Company for federal income tax purposes. That basis differs from accounting principles generally accepted in the United States of America (GAAP) as that basis presents financial results on the alternative cost method for land costs that the Company uses for federal income tax reporting, which is a comprehensive basis of accounting other than GAAP. The basis differs from GAAP in that land costs and development costs are allocated between direct costs and other costs. Land costs are on an alternative cost method and are expensed based on a cash flow model. Additionally, accelerated depreciation methods are used, including bonus depreciation, as allowed by the Internal Revenue Code.

Cash and Cash Equivalents

The Company considers cash and highly liquid investments with maturities of three months or less to be cash and cash equivalents.

Advertising

The Company expenses all advertising costs as the expenses are incurred. The Company incurred \$1,339,935 and \$1,321,364 in advertising costs for the years ended December 31, 2024 and 2023.

Income Taxes

The Company files tax returns for federal tax purposes as an S corporation; however, the shareholders are liable for the income taxes on their share of Company income. Accordingly, no provision for federal income taxes has been recorded in these financial statements.

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Company is subject to the Texas Gross Margin Tax. The Texas Gross Margin Tax generally is calculated as 0.75% of gross margin, as defined, and was \$0 and \$0 for the years ended December 31, 2024 and 2023.

Revenue Recognition

*Lot Sales:* Revenues from lot sales generally consist of lot sales to third-party builders within our master-planned communities. In general, revenue is recognized upon closing of the sale.

*Marketing fee revenue:* A marketing fee, based on size of the lot sold, is recognized upon closing on the lot sale, which is when the performance obligation is complete.

Fixed Assets

Fixed assets are recorded at cost and are depreciated when placed into service. Depreciation expense is computed using accelerated methods that include additional first-year deductions.

Capitalization Policy

Land and Development Costs

Lot acquisition, materials, and other direct costs and interest and other indirect costs related to acquisition, development, and construction of lots are capitalized. Direct and indirect costs of developing residential lots are allocated to individual lots based on their relative size.

Interest Costs

Interest costs are capitalized to land and construction costs during the development period, beginning on the date that significant development activities commence and ending on the date the phase or section is substantially complete. For the years ended December 31, 2024 and 2023, \$3,085,500 and \$2,821,681 of interest cost was capitalized, respectively.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

As of and during the years ended December 31, 2024 and 2023, the Company had cash deposits with financial institutions in excess of the federally insured limits. The Company believes that credit risk in these deposits is minimal.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Furniture and Fixtures	\$ 24,417	\$ 24,417
Equipment	<u>72,625</u>	<u>72,625</u>
	97,042	97,042
Accumulated depreciation	<u>(97,042)</u>	<u>(97,042)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 3: DEVELOPMENT MATTERS

Status of Development

The status of development is as follows as of December 31, 2024 and 2023:

	<u>Status</u>	<u>Total Lots</u>	<u>Lots Unsold at December 31, 2024</u>
Sections 6 through 33	Developed	1,702	464
Future Sections	Under development	-	-
Future Sections	Undeveloped (estimated)	4,802	4,802
	<u>Total</u>	<u>6,504</u>	<u>5,266</u>

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEVELOPMENT MATTERS *(continued)*

	Status	Total Lots	Lots Unsold at December 31, 2023
Sections 6 through 25	Developed	1,225	267
Future Sections	Under development	-	-
Future Sections	Undeveloped (estimated)	5,375	4,813
	Total	6,600	5,080

Municipal Utility District

The company has agreements with Montgomery County Municipal Utility District 106, Montgomery County Municipal Utility District 111, Montgomery County Municipal Utility District 157, and Montgomery County Municipal District 158("MUDs") to develop utilities within the Project.

The Company will pay for the installation of utilities on behalf of the MUDs and be reimbursed from the proceeds of the MUDs' municipal bonds.

Such reimbursement is subject to the prior approval of the Texas Commission on Environmental Quality and the MUDs are only liable to pay the Company out of the proceeds of bond issues. Reimbursable costs incurred net of reimbursements as of December 31, 2024 and 2023, were approximately \$3,041,831 and \$2,721,831, respectively. These amounts have been expensed for tax purposes and are not recorded as receivable due to the uncertainty of bond issuance.

NOTE 4: NOTES PAYABLE

On December 18, 2020 the Company entered into a promissory note with Pilot Land Acquisitions, LLC. The principal amount of the note was \$35,787,820 and the annual interest rate on unpaid principal was 3% from December 18, 2020 through December 18, 2027. The unpaid interest on unpaid principal amounts is due and payable annually, commencing on December 18, 2020 and ending on December 18, 2026. The unpaid balance of principal and interest is due on June 1, 2029. The note is secured by substantially all assets.

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 4: NOTES PAYABLE (*continued*)

On December 22, 2021, the Company entered into a promissory note with Pilot Land Acquisitions, LLC. The principal amount of the note was \$153,628,875 and the annual interest rate on unpaid principal was 3% from December 22, 2021 through December 22, 2029. The unpaid interest on unpaid principal amounts is due and payable annually, commencing on December 22, 2021 and ending on December 22, 2029. The unpaid balance of principal and interest is due on December 22, 2030. The note is secured by substantially all assets.

On March 30, 2018, the Company entered into a promissory note with SR Lender, LLC. The principal amount of the note was \$60,000,000 and increased to \$120,000,000 and the annual interest rate on unpaid principal was 4% from March

30, 2018 through September 30, 2019. On October 1, 2019, the interest rate was reduced to 1.51%. On June 1, 2020 the rate was further reduced to 0.43%. The unpaid interest on unpaid principal amounts is due and payable annually, commencing on March 30, 2019 and ending on March 30, 2027. The unpaid balance of principal and interest is due on June 1, 2029. The note is secured by substantially all assets.

At December 31, 2024 and 2023, notes payable consisted of the following:

	Interest Rate	2024	2023
SR Lender	1.43%	\$ 77,020,310	\$ 86,655,708
Pilot Land Acquisitions - 314	3.00%	11,441,899	13,282,853
Pilot Land Acquisitions - 745	3.00%	153,742,518	162,960,251
Total long-term notes payable		<u>\$ 242,204,727</u>	<u>\$ 262,898,812</u>

The following is a summary of future maturities due on notes payable as of December 31:

Year	Amount
2025	\$ -
2026	-
2027	-
2028	-
2029	11,441,899
Thereafter	230,762,828
	<u>\$ 242,204,727</u>

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 5: SHAREHOLDER LOANS

On December 30, 2021, the Company entered into a promissory note with five shareholders. The terms are as follows:

Note payable to Peri Direct Investments, LLC, in the original amount of \$1,538,608, current amount due of \$1,548,122 at a 3.70% interest rate. On November 1, 2024, the company amended the loan agreement with a new maturity date being set on November 1, 2033. All principal and interest is due on the maturity date. The loan is secured by the company's assets.

Note payable to Chris Complex WC I, LLC, in the original amount of \$505,272, current amount due of \$508,396 at a 3.70% interest rate. On November 1, 2024, the company amended the loan agreement with a new maturity date being set on November 1, 2033. All principal and interest is due on the maturity date. The loan is secured by the company's assets.

Note payable to Dan Complex WC I, LLC, in the original amount of \$505,272, current amount due of \$508,396 at a 3.70% interest rate. On November 1, 2024, the company amended the loan agreement with a new maturity date being set on November 1, 2033. All principal and interest is due on the maturity date. The loan is secured by the company's assets.

Note payable to Rachel Complex WC I, LLC, in the original amount of \$505,272, current amount due of \$508,396 at a 3.70% interest rate. On November 1, 2024, the company amended the loan agreement with a new maturity date being set on November 1, 2033. All principal and interest is due on the maturity date. The loan is secured by the company's assets.

Note payable to TLK 2012 GST WC, LLC, in the original amount of \$3,128,552, current amount due of \$3,147,898 at a 3.70% interest rate. On November 1, 2024, the company amended the loan agreement with a new maturity date being set on November 1, 2033. All principal and interest is due on the maturity date. The loan is secured by the company's assets.

On December 28, 2023, the company entered into a promissory note with five shareholders. The terms are as follows:

Note payable to Peri Direct Investments, LLC, in the original amount of \$1,730,000, current amount due of \$1,730,228 at a 4.82% interest rate. The note has a maturity date of December 30, 2027, and is secured by the company's assets. All principal and interest is due on the maturity date.

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 5: SHAREHOLDER LOANS (*continued*)

Note payable to Chris Complex WC I, LLC, in the original amount of \$680,000, current amount due of \$680,090 at a 4.82% interest rate. The note has a maturity date of December 30, 2027, and is secured by the company's assets. All principal and interest is due on the maturity date.

Note payable to Dan Complex WC I, LLC, in the original amount of \$680,000, current amount due of \$680,090 at a 4.82% interest rate. The note has a maturity date of December 30, 2027, and is secured by the company's assets. All principal and interest is due on the maturity date.

Note payable to Rachel Complex WC I, LLC, in the original amount of \$680,000, current amount due of \$608,090 at a 4.82% interest rate. The note has a maturity date of December 30, 2027, and is secured by the company's assets. All principal and interest is due on the maturity date.

Note payable to TLK 2012 GST WC, LLC, in the original amount of \$2,870,000, current amount due of \$2,870,379 at a 4.82% interest rate. The note has a maturity date of December 30, 2027, and is secured by the company's assets. All principal and interest is due on the maturity date.

At December 31, 2024 and 2023, shareholder loans consisted of the following:

	Interest Rate	2024	2023
Loans to Shareholders - 2021	3.00%	\$ 6,221,208	\$ 6,640,000
Loans to Shareholders 2023	4.82%	6,640,877	6,186,115
Total Shareholder Loans		<u>\$ 12,862,085</u>	<u>\$ 12,826,115</u>

The following is a summary of future maturities due on notes payable as of December 31:

Year	Amount
2025	\$ -
2026	-
2027	6,640,877
2028	-
2029	-
Thereafter	6,621,208
	<u>\$ 12,862,085</u>

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 6: NON-CURRENT ASSETS

On March 30, 2018, the Company entered into an agreement (“option agreement”) with Pilot Land Acquisitions, LLC for the option to purchase bulk portions of land. Under this option agreement, non-refundable, annual payments (“option fee”) of \$200,000 are due to Pilot Land Acquisitions, LLC each anniversary date until this option agreement expires, which has been extended to March 30, 2028. Under the option agreement, option fees may be applied towards future land purchases. As of December 31, 2024 and 2023, total option fees paid were \$0 and \$400,000, respectively, and are included in other non-current assets.

NOTE 7: RELATED PARTY TRANSACTIONS

On March 30, 2018, the Company entered into an agreement (“management agreement”) with Airia Development Company (“Airia”) to manage development of the Project. The management agreement engaged Airia to provide necessary labor, overhead, and administrative services for the Projects in exchange for a monthly management fee equal to 112% of total costs incurred by Airia. For the year ended December 31, 2024 and 2023, total management fees capitalized were \$3,058,143 and \$2,424,387, respectively.

NOTE 8: CONCENTRATIONS

The Company’s only development project is located in Conroe, Texas. Accordingly, the Company is subject to the general risks associated with the economic climate of the Conroe area, and from competition with other local land developers. Additionally, sales volume is directly influenced by changes in residential housing demand and the mortgage banking industry. The Company believes that despite these risks, there will be adequate demand for the Company’s lots for the foreseeable future.

For the year ended December 31, 2024, approximately 75% of the Company’s business was derived from customers comprising 10% or more of total revenues. Those customers had an accounts receivable balance of \$112,159 as of December 31, 2024.

NOTE 9: UNCERTAIN TAX POSITIONS

The Company did not have unrecognized tax positions as of December 31, 2024 and does not expect this to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2024, the Company has not accrued interest or penalties related to uncertain tax positions. The

ARTAVIA DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 9: UNCERTAIN TAX POSITIONS (*continued*)

Company's federal and state tax returns are open to audit under the statute of limitations for the years ending December 31, 2024 and beyond.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events were evaluated through October 1, 2025 which is the date the financial statements were available to be issued.

## **APPENDIX C**

### **Specimen Municipal Bond Insurance Policies**



## 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

SPECIMEN

**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