

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, SUBJECT TO THE MATTERS DESCRIBED IN “TAX MATERS” HEREIN, AND IS NOT INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

The District will NOT designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS” herein.

NEW ISSUE—BOOK-ENTRY-ONLY
CUSIP No. 932453

RATINGS: Underlying “Baa2” Moody’s
See “MUNICIPAL BOND RATING” herein

\$11,145,000
WALLER COUNTY ROAD IMPROVEMENT DISTRICT No. 1
(A political subdivision of the State of Texas, located in Waller County, Texas)
UNLIMITED TAX BONDS
SERIES 2025B

Dated: December 1, 2025

Due: March 1 (as shown below)

Interest on the \$11,145,000 Unlimited Tax Bonds, Series 2025B (the “Bonds” or the “Series 2025B Bonds”) will accrue from December 1, 2025, and will be payable on March 1 and September 1 of each year, commencing March 1, 2026. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS.”

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>
\$200,000	2028	%	%	\$400,000	2042(b)	%	%
\$210,000	2029	%	%	\$425,000	2043(b)	%	%
\$220,000	2030	%	%	\$445,000	2044(b)	%	%
\$230,000	2031(b)	%	%	\$470,000	2045(b)	%	%
\$245,000	2032(b)	%	%	\$490,000	2046(b)	%	%
\$255,000	2033(b)	%	%	\$515,000	2047(b)	%	%
\$270,000	2034(b)	%	%	\$545,000	2048(b)	%	%
\$285,000	2035(b)	%	%	\$570,000	2049(b)	%	%
\$300,000	2036(b)	%	%	\$600,000	2050(b)	%	%
\$315,000	2037(b)	%	%	\$630,000	2051(b)	%	%
\$330,000	2038(b)	%	%	\$665,000	2052(b)	%	%
\$345,000	2039(b)	%	%	\$700,000	2053(b)	%	%
\$365,000	2040(b)	%	%	\$735,000	2054(b)	%	%
\$385,000	2041(b)	%	%				

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2031 are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS – Optional Redemption.”

The proceeds of the Bonds will be used by Waller County Road Improvement District No. 1 (the “District”) to finance reimbursement to certain developers for (1) water, sewer and drainage facilities and utility extension lines; (2) detention pond costs; (3) engineering material testing costs associated with numbers (1) and (2) above; (4) bond cost of issuance and certain administrative costs associated with the issuance of the Bonds. Additionally, bond proceeds will be used to fund developer interest and 1 year of capitalized interest on the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Waller County, the City of Fulshear, nor any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Waller County, or the City of Fulshear, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about December 18, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC") as amended (the "Rule"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesperson or other individual 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 connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in 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 the District, c/o Wallace & Philbin, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057-1762, upon payment of duplication costs.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____ % of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____ % as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Series 2025B Bonds to certain dealers (including dealers depositing Series 2025B Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING 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 AFFECT 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 utility

district bonds may be greater than 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.

NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS UNDER SECURITIES LAWS

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the Securities acts of any jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the Securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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.

The Bonds have been sold to the Underwriter on the basis of its representation that the Bonds will be sold in states other than Texas only pursuant to exemptions from registration or qualification or that the Underwriter will, where necessary, register or qualify the Bonds in accordance with the Securities laws of the state in which the Bonds are offered or sold.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the Bond Order (the "Bond Order"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for information filing.

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the District of the general type included in this Official Statement included under the heading "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of fiscal year commencing 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if it 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, the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, 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 December 31. Accordingly, it must provide updated information by June 30 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "financial obligation," when used in this paragraph, shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i)

or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. 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 MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at 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 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, if but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the 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 reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with the Rule.

REGISTRATION

Paying Agent/Registrar

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one maturity, and principal and semi-annual interest will be paid by the District through the Paying Agent/Registrar. Principal will be payable to the registered holder at maturity or redemption upon presentation to the Paying Agent/Registrar. Interest will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date.

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall 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 either a national or state banking institution and shall be a corporation organized and doing business under the laws of the United States of America or of any State, shall be authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by Federal or State banking authorities. Any successor Paying Agent/Registrar shall be selected by the District.

Assignments, Transfers, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration (exclusive of any tax or governmental charge therefor) shall be at the expense of the District. A Bond may be assigned by execution of the assignment form printed on the Bond. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owners) in exchange for such transferred and assigned Bonds not more than three days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of \$5,000 for any one maturity, or any integral multiple thereof. The Bonds are transferable only on the bond register kept by the Registrar upon surrender and re-issuance. The Bonds are exchangeable for an equal principal amount

or maturity amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar.

Record Date

The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

Record Date for Bonds to be Redeemed

Neither the District nor the Paying Agent/Registrar shall be required to: (1) issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) transfer or exchange any Bond so selected for redemption in whole or in part when such redemption is scheduled to occur within 45 calendar days.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to Moody's Investors Service, Inc. ("Moody's") which has assigned the underlying rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. The Underwriter (as defined herein) may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. If the Underwriter purchases the Bonds with bond insurance and subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description:	The Unlimited Tax Bonds, Series 2025B (the "Bonds" or the "Series 2025B Bonds"), issued pursuant to an order (the "Bond Order") of the Board of Directors of Waller County Road Improvement District No. 1 (the "District"). The Bonds will be dated December 1, 2025, with interest payable on March 1 and September 1 commencing March 1, 2026. See "THE BONDS – General."
Book-Entry-Only System:	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial Ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Redemption Provisions:	The Bonds maturing on or after March 1, 2031, are subject to redemption at the option of the District, prior to maturity, in whole or part, on March 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."
Source of Payment:	The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Waller County, the City of Fulshear or any other political subdivision or agency. See "THE BONDS – Sources of and Security for Payment."
Use of Proceeds:	The proceeds of the Bonds will be used by Waller County Road Improvement District No. 1 (the "District") to finance reimbursement to certain developers for (1) water, sewer and drainage facilities and utility extension lines; (2) detention pond costs; (3) engineering material testing costs associated with numbers (1) and (2) above; (4) bond cost of issuance and certain administrative costs associated with the issuance of the Bonds. Additionally, bond proceeds will be used to fund developer interest and 1 year of capitalized interest on the Bonds. See "USE OF BOND PROCEEDS."
NOT Qualified Tax-Exempt Obligations:	The District will NOT designate the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."
Municipal Bond Rating:	In connection with the sale of the Bonds the District has made application to Moody's which has assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
Bond Insurance:	The District has applied to AG and BAM for qualification of the Bonds for bond insurance. The Underwriter may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale. See "BOND INSURANCE."
Authorized but Unissued Bonds:	After the sale of the Series 2025B Bonds, the District will have \$59,541,107 authorized but unissued Unlimited Tax Bonds that may be used for the purposes of constructing water, sewer, and drainage facilities to serve the District. See "RISK FACTORS – Future Debt," and "THE BONDS – Authority for Issuance."
Paying Agent/Registrar:	The Bank of New York Mellon Trust Company, N.A.
Legal Opinion:	Wallace & Philbin, L.L.P., Houston, Texas. See "LEGAL MATTERS."
Payment Record:	There has been no default by the District in payment of principal of or interest on its bonded indebtedness.

THE DISTRICT

Description: The District is a political subdivision of the State of Texas. The District has all powers and authority provided by the general laws on road districts and road utility districts created under §52 and §52-a, Article III, Texas Constitution and conservation and reclamation districts and municipal management districts created under §59, Article XVI, Texas Constitution, including: (a) Chapters 257 and 441, Transportation Code, (b) Chapter 375, Local Government Code, and (c) Chapters 49 and 54, Water Code. As originally created, it included approximately 233 acres; due to various annexations, the District's boundaries now include approximately 1,121 acres. The District is located in Waller County, with a tract north of I-10 and the remainder south of I-10. The District is within the extraterritorial jurisdiction of the City of Fulshear, Texas. The District is approximately 4 miles west of the City of Katy, Texas and approximately 31 miles from downtown Houston. Primary access to the District is provided by exit and entrance ramps from I-10 at Igloo Road/Jordan Ranch Boulevard and I-10 at Woods Road. See "THE DISTRICT – Description."

Land Use in the District: A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acreage	653
Additional Developable Acreage	274
Undevelopable Acreage	<u>194</u>
Total Approximate Acres	1,121

(a) Includes District plant sites, utility/drainage easements, detention ponds, permanent floodplain areas, and street rights-of-way, etc.

Original Developer: ML DEV LP ("ML DEV") is a Texas limited partnership that was established to develop land located within the District. ML DEV includes Window Dev GP, LLC. as the General Partner and Magness Family Partnership, LP as the Limited Partner. ML DEV is not actively involved with any development in the District although ML DEV (and related entities) continue to own and market vacant land for potential development within the District. ML DEV has initiated several lawsuits seeking declaratory relief and damages against the District. The District has retained special litigation counsel to represent its interest in these matters. See "RISK FACTORS – Pending Litigation."

Current Developers: In November 2007, Lois Houston Associates, LLC ("LHA"), an affiliate of Rooms-To-Go, purchased approximately 118 acres of land located in the District and, subsequent to that date, constructed a 1,500,000 square foot building. LHA is an affiliate of the business entity that operates the company that does business as Rooms To Go. LHA is a Delaware limited liability company created solely for the purpose of owning the land and the building (the "Property"). LHA leases the Property subject to a long-term triple net lease (the "RTG Lease") to RTG Furniture of Texas, L.P. ("RTG Texas" which is also described below). The RTG Lease terminates on July 31, 2029. The retail showroom includes four Rooms To Go concept stores: Rooms To Go, Rooms To Go Kids, Rooms To Go Patio, and Rooms To Go Outlet. LHA has been fully reimbursed for eligible water, sewer and drainage facilities.

In 2017, Starlight Homes Texas LLC ("Starlight Homes"), an affiliate of Ashton Woods Homes, purchased 114 acres from ML DEV for the purpose of developing single family lots in the subdivision known as Kingsland Heights. As of June 1, 2025, Starlight Homes had developed approximately 103 acres known as Kingsland Heights, Sections 1-5 into 456 single family lots and has completed all 456 homes (approximately 450 of which are currently occupied), 0 homes under construction, and 0 vacant developed lots. Approximately 11 acres in Kingsland Heights was developed as a stormwater detention pond. Starlight Homes has been fully reimbursed for eligible water, sewer and drainage facilities.

Jordan Ranch Distribution, LLC developed a 498,000 square foot warehouse and distribution building located on approximately 31 acres. RTG Texas, also an affiliate of Rooms-To-Go (via a special purpose entity known as Perimeter Industrial Partners LLC) entered a lease/purchase agreement and subsequently exercised its option to purchase the building and closed in May 2022. Jordan Ranch Distribution, LLC has been fully reimbursed from prior bonds of the District for its eligible water, sewer and drainage facilities.

Ross Dress for Less, Inc. purchased approximately 250 acres from ML DEV in May 2019. Ross Dress for Less, Inc. is a wholly owned subsidiary of Ross Stores, Inc., a publicly traded company, listed on the NASDAQ (ticker symbol ROST). ("Ross Stores.") Ross Stores has completed and occupied a 1.89 million square foot warehouse and distribution facility on a 189.9-acre tract. The remaining approximately 65 acres has been developed as detention facilities and drainage channels that have been conveyed to the District. Ross Stores is currently involved in certain litigation with ML DEV and the District that is more fully described herein. See "RISK FACTORS – Pending Litigation." Ross Dress for Less, Inc. has been fully reimbursed from prior bonds of the District for its eligible water, sewer and drainage facilities.

On May 9, 2019, the District approved entering a Tax Abatement Agreement with P150, LLC (subsequently assigned to Ross), in which the District, pursuant to the procedures set forth in Texas Tax Code, Chapter

312, agreed to rebate certain ad valorem taxes on Eligible Abatement Property within the Waller County P150 Reinvestment Zone No. 1, comprising the 189.9 acres of land developed as a regional distribution center by Ross. To date, \$2.0 million in tax abatements have been made out of \$5.0 million of total tax abatements agreed to. See “TAXING PROCEDURES – Tax Abatement.”

Adkisson Group, Inc. (“Adkisson”) of Houston, Texas, acquired a 28.452-acre tract in 2021 and has completed construction of three (3) industrial warehouse buildings with a combined square footage of approximately 402,650 square feet.

Adkisson also acquired a 17.4251-acre tract in 2021 and has completed construction of an approximately 200,680 square foot industrial warehouse. Adkissons’s development and entities have been fully reimbursed for their eligible water, sewer and drainage facilities.

Falcon Commercial Development has established CIV JCD Jordan Ranch, LLC for the purpose of developing approximately 139 acres in the District. A portion of this property was subsequently conveyed to CIV JCD Jordan Ranch II, Ltd., a related entity. Site development commenced in 2022 for the development of five (5) industrial warehouse buildings totaling approximately 1,600,000 square feet along with public roadways and utilities. According to Falcon Commercial Development, 4 of the 5 buildings were completed by the second quarter of 2025 and are already 89% leased. The 5th building construction of 504,000 SF is expected to be completed by the end of 2025. The Developer will receive proceeds from the Bonds to reimburse eligible road costs. Future water, sewer and drainage Bonds are to be issued to reimburse eligible remaining water, sewer and drainage facilities.

Hunt Southwest – I10 West, LLC of Dallas, Texas (“Hunt SW”) acquired a 67.70-acre tract of land and completed construction of a state-of-the-art, 1,051,080 SF industrial facility in April of 2023. The building was recently leased to PepsiCo. Hunt SW has been fully reimbursed for eligible water, sewer and drainage facilities.

Safrin, Inc. of Houston, Texas (“Safrin”) acquired in 2022 a 2.2957-acre site at the northeast corner of Kingsland Boulevard and Woods Road. Safrin has completed a gas station/convenience store on the site and leasing activities are underway. The District has entered into a development financing agreement with this developer to reimburse eligible water, sewer and drainage facilities related to this project.

Interstate Jordan Ranch, L.L.C. of Houston, Texas (“Interstate”) acquired in 2022 a 18.204-acre site at the southwest corner of Kingsland Boulevard and Igloo Road. Interstate has commenced construction of office condominiums and retail space. The District has entered into a development financing agreement with this developer to reimburse eligible water, sewer and drainage facilities related to this project.

Starlight Homes, Ross Stores, Falcon Commercial Development, Adkisson, Safrin, Inc., Interstate Jordan Ranch, L.L.C. and Hunt SW are collectively referred to herein as the “Developers.”

Risk Factors:

The purchase and ownership of the Bonds are subject to special investment risks and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

4/15/2025 Estimated Taxable Value	\$972,955,518	(a)
2025 Taxable Value	\$919,593,672	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of October 1, 2025)	\$101,370,000	
Plus: The Bonds	<u>\$11,145,000</u>	
Total Direct Debt	\$112,515,000	
Estimated Overlapping Debt	<u>\$91,745,852</u>	
Direct and Estimated Overlapping Debt	\$204,260,852	
Percentage of Direct Debt to:		
4/15/2025 Estimated Taxable Value	11.56%	
2025 Taxable Value	12.24%	
See "DISTRICT DEBT"		
Percentage of Direct & Overlapping Debt to:		
4/15/2025 Estimated Taxable Value	20.99%	
2025 Taxable Value	22.21%	
See "DISTRICT DEBT"		
2025 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.59	
Road Debt Service	\$0.08	
Maintenance Tax	<u>\$0.28</u>	
Total 2025 Tax Rate	\$0.95	
Cash and Temporary Investment Balances as of September 19, 2025		
General Fund	\$13,655,098	(c)
Pro-Forma Debt Service Fund	\$352,852	(d)
Road Debt Service Fund	\$1,301,691	(e)

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- (a) Reflects data supplied by Waller County Appraisal District ("WCAD"). The Estimated Taxable Value as of 4/15/2025 was prepared by WCAD and provided to the District for informational purposes only. Such values are not binding on WCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAX DATA."
- (b) The District's 2025 Taxable Value figure above reflects the total certified value as of January 1, 2025 per WCAD. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Reflects unaudited cash and investment balance. The District recently received a notice from Waller CAD that a Freeport Exemption had been granted to a warehouse tenant which resulted in a tax refund in excess of \$500,000 which the District has paid.
- (d) Reflects unaudited cash and investment balance. The figure above includes twelve (12) months of capitalized interest to be funded with the proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the District's bonds sold for road facilities. See "TAX DATA – Tax Rate Calculations."
- (e) Represents the cash and investment balances in the Road Debt Service Fund. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Road Debt Service Fund. See "TAX DATA – Tax Rate Calculations."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's Outstanding Bonds plus the debt service on the Series 2025B Bonds.

	Existing Debt Service	Plus: Debt Service on the Series 2025B Bonds		Total Debt Service
Year	Requirements	Principal	Interest*	Requirements*
2025	\$4,172,787	-	-	\$4,172,786
2026	\$5,497,696	-	\$417,938	\$5,915,634
2027	\$6,170,757	-	\$557,250	\$6,728,007
2028	\$6,458,025	\$200,000	\$552,250	\$7,210,275
2029	\$6,495,191	\$210,000	\$542,000	\$7,247,191
2030	\$6,475,149	\$220,000	\$531,250	\$7,226,399
2031	\$6,456,050	\$230,000	\$520,000	\$7,206,050
2032	\$6,468,698	\$245,000	\$508,125	\$7,221,823
2033	\$6,472,139	\$255,000	\$495,625	\$7,222,764
2034	\$6,498,585	\$270,000	\$482,500	\$7,251,085
2035	\$6,486,575	\$285,000	\$468,625	\$7,240,200
2036	\$6,496,890	\$300,000	\$454,000	\$7,250,890
2037	\$6,484,694	\$315,000	\$438,625	\$7,238,319
2038	\$6,535,361	\$330,000	\$422,500	\$7,287,861
2039	\$6,218,681	\$345,000	\$405,625	\$6,969,306
2040	\$6,239,944	\$365,000	\$387,875	\$6,992,819
2041	\$6,209,412	\$385,000	\$369,125	\$6,963,537
2042	\$6,251,667	\$400,000	\$349,500	\$7,001,167
2043	\$6,234,880	\$425,000	\$328,875	\$6,988,755
2044	\$6,258,661	\$445,000	\$307,125	\$7,010,786
2045	\$6,233,386	\$470,000	\$284,250	\$6,987,636
2046	\$6,283,446	\$490,000	\$260,250	\$7,033,696
2047	\$6,337,690	\$515,000	\$235,125	\$7,087,815
2048	\$6,306,918	\$545,000	\$208,625	\$7,060,543
2049	\$6,104,937	\$570,000	\$180,750	\$6,855,687
2050	\$6,120,268	\$600,000	\$151,500	\$6,871,768
2051	\$3,176,138	\$630,000	\$120,750	\$3,926,888
2052	\$3,215,300	\$665,000	\$88,375	\$3,968,675
2053	\$3,247,675	\$700,000	\$54,250	\$4,001,925
2054	<u>\$2,156,075</u>	<u>\$735,000</u>	<u>\$18,375</u>	<u>\$2,909,450</u>
TOTAL	\$173,763,672	\$11,145,000	\$10,141,063	\$195,049,734

Maximum Annual Debt Service Requirements (2038).....\$7,287,861*

\$0.79 Tax Rate on 4/15/2025 Estimated Taxable Value of \$972,955,518

@ 95% collections produces.....\$7,302,031*

\$0.84 Tax Rate on 2025 Taxable Value of \$919,593,672

@ 95% collections produces.....\$7,338,358*

See "TAX DATA – Tax Rate Calculations."

*Preliminary, subject to change.

**OFFICIAL STATEMENT
relating to**

\$11,145,000

**WALLER COUNTY ROAD IMPROVEMENT DISTRICT No. 1
(A political subdivision of the State of Texas, located within Waller County, Texas)**

UNLIMITED TAX BONDS

SERIES 2025B

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Waller County Road Improvement District No. 1 Unlimited Tax Bonds, Series 2025B (the "Bonds" or the "Series 2025B Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District, an Order approving the sale of the Bonds by the Texas Commission on Environmental Quality ("TCEQ"), and pursuant to an order (the "Bond Order") adopted by the Board of Directors (the "Board") of the District.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, and the District's financial condition. All descriptions of documents contained herein, are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Waller County, the City of Fulshear, or any other political subdivision. The Bonds are payable from a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Sources of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds, the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Marketability

The District has no understanding (other than the initial reoffering yields) 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 spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Dependence on Personal Property Taxes; Personal Property Tax Collections

The District's 2025 certified tax roll includes business personal property (equipment and inventories) which is valued at \$293,403,590 of the total \$919,593,672 value of taxable property in the District (or approximately 32% of the District's total taxable value). Substantially all of the business personal property value is attributable to the business inventories and equipment of Ross Stores and Rooms To Go. The value of taxable business personal property in the District represents a higher proportion of taxable value in the District than personal property values in most other municipal utility districts.

Unlike real property, there is no certainty that business personal property will remain in the District from year to year. For example, automobiles and other personal property are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. The District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient, and difficult.

The statute of limitations for collection of business personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to

collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

Heretofore, the District has been successful in collecting its ad valorem tax levies including ad valorem taxes levied on personal property located in the District from time to time. However, no representation can be made by the District regarding future tax collections. See "TAX DATA – Levy and Collection."

Dependence on Principal Taxpayers

Based upon the 2025 certified tax rolls, the top 10 taxpayers were responsible for approximately 81% of the District's 2025 taxes. One of the principal taxpayers in the District is Lois Houston Associates LLC, a special purpose company established solely for the purpose of owning the land and building which includes an approximate 1,500,000 square foot building that is leased to Rooms To Go Texas. Ross Dress For Less is the owner of a 1,890,000 square foot warehouse and distribution facility that serves as one of seven such facilities that serves the company nation-wide. See "STATUS OF DEVELOPMENT." The ability of each such 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, a principal taxpayer does not pay taxes due or does not pay in a timely manner, the District may need to use other funds for debt service purposes to the extent available. Further, if a principal taxpayer ceases to operate its facility within the District, a substantial decrease in the District's value may result. See "TAX DATA – Principal Taxpayers." The District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by a principal taxpayer to pay its 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.

On May 9, 2019, the District approved a Tax Abatement Agreement ("Agreement") with P150, LLC (subsequently assigned to Ross Dress for Less, Inc.), in which the District, pursuant to the procedures set forth in Texas Tax Code, Chapter 312, agreed to abate certain ad valorem taxes on Eligible Abatement Property within the Waller County P150 Reinvestment Zone No. 1, comprising 189.9 acres of land that has been developed as a regional distribution center by Ross. See "TAXING PROCEDURES – Tax Abatement."

Future payments of interest and principal obligation on the Bonds relies upon the payment by the District's largest taxpayers to timely pay their ad valorem tax obligations. If these taxpayers were in default in the payment of taxes in an amount which would exceed at any time the District's Debt Service Fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could force the District to levy a high tax rate to pay principal and interest on its debt on other taxpayers within the District, thereby hindering growth and leading to possible further defaults in the payment of taxes.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's public-purpose property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by 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.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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, any bankruptcy court with jurisdiction

over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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 obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition 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, a 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 Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the district.

Approval of the Bonds

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

Economic Factors

The continued growth of taxable values in the District is directly related to the housing industry and the commercial building development industry. The housing and commercial building development industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, labor conditions, material shortages, consumer spending, foreclosure rates, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for real estate, hence reducing demand within the District. High foreclosure rates may also affect mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The inability to qualify for mortgages may negatively affect home sales and the growth of taxable values in the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has in the past experienced increased unemployment, business failures and slow absorption of office space from time to time. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth and maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed

valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District.

The real estate industry in the Houston area is competitive, and the District can give no assurance that current building programs will be completed. The competitive position of the developers in the sale of developed projects or is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued development on comparable sites within the District.

Landowners/Developers under No Obligation to the District

There are no commitments from or obligations of any landowners or developers within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction improvements in the District, and there is no restriction on any landowner's or developer's right to sell their land.

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2025 combined debt service and maintenance tax rate is \$0.95 per \$100 of assessed valuation. The maintenance of the District's tax base is directly related to the housing industry and the commercial/industrial building industry in general. The housing industry has historically been a cyclical industry, affected by short and long-term interest rates, demand for developed property, and availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980s, and again in the 2000s, the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single family homes in the District or commercial industrial buildings, which is 31 miles from downtown Houston, also could be affected by competition from nearby developments.

Both the local demand for, and the sale or leasing of warehouses are affected by most of the factors discussed herein and will directly affect the maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further construction of residential or commercial building projects within the District, other than those which have heretofore been constructed, the value of such land and improvements currently located within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the remaining Outstanding Bonds will be \$7,287,861 (2038). The 2025 Taxable Value of property within the District according to WCAD data is \$919,593,672. Assuming no increase or decrease from such value, and no use of other District funds, a debt service tax rate of \$0.84 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 4/15/2025 Estimated Taxable Value of property within the District according to WCAD data is \$972,955,518. Assuming no increase or decrease from such value, and no use of other District funds, a debt service tax rate of \$0.79 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "TAX DATA – Tax Rate Calculations."

Future Debt

The District will have \$59,541,107 unlimited tax water, sewer, and drainage bonds and \$235,346,660 unlimited tax water, sewer, and drainage refunding bonds that will remain authorized, but unissued, after the sale of the Bonds. In addition, the District has \$53,891,315 of unlimited tax bonds for road facilities and \$106,396,972 unlimited tax refunding road bonds that remain authorized but unissued. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District for water, sewer and drainage facilities must also be approved by the TCEQ, however new money bonds to be issued by the District for road purposes do not have to be approved by the TCEQ.

Each of the Developers have entered into separate reimbursement agreements with the District. Generally, each of the reimbursement agreements provides that the Developers are entitled to reimbursements based on the taxable value to be created by each of the Developers' respective projects; however, with respect to potential future reimbursement to ML DEV, see "RISK FACTORS – Pending Litigation."

The District's Engineer estimates that the \$59,541,107 authorized bonds for water, sewer, and drainage facilities and \$53,891,315 authorized road bonds which will remain unissued will be adequate to finance the construction of such facilities to serve all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionally, such issuance may increase gross debt/property valuation rates and thereby adversely affect the security of the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain feasibility, requirements under the TCEQ rules in which case the outstanding principal amounts of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District has initiated plans to install certain landscape, street lighting and landscaping improvements along Kingsland Blvd. The cost of such improvements are expected to be paid out of budgeted operating funds.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the Service Area. 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 "moderate" 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 management district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal management districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

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

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

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

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

Severe Weather: Hurricanes

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe 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 in the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance). Flood casualties are usually excepted from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to 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 would be adversely affected.

Specific Flood Type Risks

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. 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 characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments after Disaster

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

Additionally, the Texas Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction’s discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Changes in Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the congress and in the states that, if enacted, could later or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the bonds or otherwise prevent holders of the bonds from realizing the full benefit of the tax exemption of interest on the bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular bond-related litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or bond-related litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as

interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The 89th Texas Legislature began on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds.

Changes in Floodplain – Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of 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.

Cybersecurity

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

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the Developer or homebuilders or principal taxpayers in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the Developers' ability to construct utility and road facilities or the ability to construct homes or commercial properties within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If such policy is issued, investors should be aware of the following risk factors:

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

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

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

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

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

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

Pending Litigation

The District is a party to four lawsuits in which the District is represented by the Houston, Texas firm of Parsons McEntire McCleary PLLC. The "ML DEV Lawsuit", is active in the 506th Judicial District Court, Waller County, Texas.¹ The "Ross Lawsuit", is active in the 506th Judicial District Court, Waller County, Texas.² The "Condemnation Lawsuit" is on appeal.³ The "Federal Lawsuit", is stayed and administratively closed.⁴

The ML DEV Lawsuit

The ML DEV Lawsuit arises from a written contract between the District and ML DEV (the "ML DEV Contract"). Under the ML DEV Contract, ML DEV agrees to perform development work specified in writing in the contract. In exchange, the District agrees to reimburse ML DEV for eligible costs paid by ML DEV. As a condition of payment, ML DEV must submit proof to the reasonable satisfaction of the District's attorneys, proof that ML Dev's payments complied with the ML DEV Contract, the rules of the TCEQ⁵, and to the reasonable satisfaction of the District's attorneys.

The ML DEV Lawsuit was filed in 2019. At the time, ML DEV claimed a proviso in the contract restricts the District's freedom to contract with other developers, and ML DEV sought only a declaratory judgment but no damages. The District filed an answer consisting of a general denial and affirmative defenses. ML DEV filed a motion for summary judgment against the District on ML DEV's claim for declaratory relief regarding the contractual proviso. The District opposed the motion, and the Court denied ML DEV's motion.

In 2023, when the District Court provided notice of intent to dismiss for want of prosecution, ML DEV moved the Court to retain the case. The Court granted ML Dev's motion to retain and the District's motion to lift the stay on discovery and to consolidate the ML DEV Lawsuit with the related Ross Lawsuit, discussed below. Discovery has proceeded and is ongoing in the ML Dev lawsuit.

On January 10, 2024, ML DEV filed a First Amended Petition in the ML DEV Lawsuit. The First Amended Petition added additional parties as plaintiffs: Blimp Base Project, LP ("Blimp Base"); Dixie Farm Partners, LLP ("Dixie"); Beamer Road Partners, LLP ("Beamer") and Elyson Two, LP ("Elyson") (collectively, the "New Plaintiffs").

The First Amended Petition alleges the District is obligated to reimburse Plaintiffs more than \$7 million for projects allegedly completed many years ago. The District denies the allegations and asserts multiple defenses.

Among the District's defenses is a Plea to the Jurisdiction, by which the District asserts the Court has no jurisdiction over the claims of Blimp Base, Dixie, Beamer and Elyson. The Court conducted a hearing on the Plea on April 25, 2024, granted the Plea, and dismissed all claims of Blimp Base, Dixie, Beamer and Elyson for lack of jurisdiction. The New Plaintiffs have appealed. The District vigorously opposes the appeal. The New Plaintiffs also filed a petition for mandamus against the Court's grant of Ross' motion, severing the New Plaintiffs from the ML Dev case. These matters are now pending review by the appellate court. The District cannot predict the outcome.

The District is vigorously defending itself from the remaining claims of ML Dev. ML Dev claims it is owed about \$1.6 million for a so-called "Interchange Project" completed before 2007 and an additional \$3.7 million for 25 acres deeded by ML Dev to the District in 2007 and 2008, so-called "Land for Projects." The District denies the allegations.

¹ Cause No. 19-06-25577, styled *ML DEV LP vs. Waller County Road Improvement District No. 1*; In the 506th Judicial District Court of Waller County, Texas.

² Cause No. CV-20-09-0018, styled *Ross Dress for Less, Inc. v. ML DEV, LP, Window DEV GP, LLP, Igloo Partners # 11, LP, Beamer Road Partners, LLP, Dixie Farm Partners, LLP, Blimp Base Project, LP, HYAS Corporation LP, Waller XYZ LP, Rancho General Inc., LAT GP, LLC, Louis A. Tsakiris Family Partnership, Ltd., A. Tsakiris Family Limited Partnership, Waller County Road Improvement District No. 1, Waller County, Texas, Michael Magness, and Louis A. Tsakiris*; In the 506th Judicial District Court of Waller County, Texas.

³ Cause No. C-266, styled *Waller County Road Improvement District No. 1 v. Louis A. Tsakiris Family Partnership, Ltd. and Alex Tsakiris Family Partnership, Ltd.*; In the 506th Judicial District Court of Waller County, Texas.

⁴ Case No. 4:21-cv-01632, styled *Louis A. Tsakiris Family Partnership, Ltd. and Alex Tsakiris Family Partnership, Ltd. v. Waller County Road Improvement District No. 1, and Ross Dress for Less, Inc.*; In the United States District Court for the Southern District of Texas, Houston Division.

⁵ Texas Commission on Environmental Quality.

Discovery in the lawsuit suggests that ML Dev paid nothing for the “Interchange Project and is entitled to no reimbursement. Likewise, discovery has revealed that the 25 acres were acquired by ML Dev related parties for less than \$200,000, and then they deeded the land to ML Dev (for little or no payment) so ML Dev could then deed the land to the District. This and other evidence suggest that ML Dev is entitled to no reimbursement for the 25 acres.

Additionally, the District has asserted counterclaims and third party claims against ML Dev and its affiliates. The District’s affirmative claims total more than \$5.0 million in actual damages, plus exemplary damages, and the District alleges such claims as credits and offsets against ML Dev’s claims.

The District cannot predict the time required to resolve the litigation, its outcome, or the financial impact, if any, upon the District.

The Ross Lawsuit

The Ross Lawsuit has been consolidated into the ML Dev Lawsuit. It concerns a dispute regarding whether a public easement exists for the extension within the District of Kingsland Boulevard and related facilities (the “Kingsland Easement”). ML DEV, Louis Tsakiris (“Tsakiris”), Mike Magness (“Magness”) and the Tsakiris Partnerships are principal defendants in Ross’s claims and the District’s claims regarding the Kingsland Easement.

In 2009, Waller County entered into an amendment of a Roadway Agreement between the County and ML DEV and other developers (the “Developers”). The Developers are owned, managed and/or controlled by Tsakiris and Magness. Under the amended Roadway Agreement, the Developers offered to dedicate the Kingsland Easement to the County and the County accepted the dedication the same day. The agreement and acceptance have long been filed of public record in Waller County. In 2018, Ross began negotiating with Tsakiris, Magness and ML DEV to purchase about 200 acres adjacent to the planned extension of Kingsland Boulevard. The Ross purchase agreement contains an exhibit depicting the extension of Kingsland Boulevard. In 2018 and 2019, Tsakiris and Magness repeatedly represented to the District, in writing, that the Kingsland Easement had been dedicated to the public and should further easement be needed the landowners would provide it. In reliance upon such representations, and the publicly filed Roadway Agreement, in April 2019, the District entered into an agreement with Ross to construct the extension of Kingsland Boulevard at District cost. In 2020, when the District was ready to commence construction of Kingsland, the Tsakiris Partnerships, who then held title to the property, claimed there was no easement, refused to sign a plat for the roadway and insisted the District would need to pay millions of dollars for an easement.

The Ross Lawsuit followed. Ross sued Tsakiris, Magness, ML DEV, the Tsakiris Partnerships, and other affiliates (collectively, the “Tsakiris Defendants”) for fraud and actual damages resulting from delay in the construction of Kingsland Boulevard. The District also sued the Tsakiris Defendants for fraud and actual damages in excess of \$5.0 million. Although Ross initially sued the District, it later dropped all claims against the District. The Ross Lawsuit was stayed by an interlocutory appeal of a trial court decision against the Tsakiris Defendants. The trial court was affirmed on appeal, the Supreme Court denied review, and the case has returned to the trial court for further proceedings. Upon remand, the District Court awarded Ross attorneys’ fees for the defendants’ filing of frivolous TCPA claims. With the stay lifted on the case, Ross and the District have commenced discovery against the Tsakiris Defendants.

The District can make no predictions regarding the time required to resolve the litigation, its outcome, or the financial impact, if any, upon the District.

The Condemnation Lawsuit

When the District could not gain access for construction of Kingsland Boulevard and utilities to serve the Ross project, it brought the Condemnation Lawsuit against the Tsakiris Partnerships to obtain access to the Kingsland Easement by condemnation.

On October 7, 2022, the Court granted the District’s Motion for Summary Judgment against the Tsakiris Partnerships. A Final Judgment was signed and entered by the Court on October 25, 2022. The Final Judgment provides, in pertinent part, that (i) the easement for Kingsland Blvd. exists as a public right-of-way by express dedication and by estoppel, (ii) the action to condemn the easement is granted and possession of the Kingsland Easement is granted to the District, (iii) the Tsakiris Partnerships were awarded no compensation for condemnation because the Kingsland Easement already existed, and (iv) the Clerk of the County Court was directed to refund the condemnation award of \$1,333,020 to the District and the District Clerk complied.

On November 11, 2022, Defendants filed a Notice of Appeal with the First Court of Appeals, Harris County, Texas. On August 26, 2025, the Court of Appeals for the First District of Texas issued an opinion reversing the trial court’s summary judgment in favor of the District and remanding the case for further proceedings. The Court of Appeals determined that the trial court’s ruling was premature because certain fact issues remained for resolution regarding whether Waller County had accepted an express dedication of the easement and whether the District’s reliance on certain representations was sufficient to establish an easement by estoppel. The appellate court did not make any finding on the merits of the District’s claims or defenses. The case has been remanded to the trial court additional proceeding consistent with the appellate opinion. The District makes no predictions or representations regarding the outcome of the remand or any future proceedings in this matter.

The Federal Lawsuit

On May 18, 2021, the Tsakiris Partnerships filed a lawsuit ("Federal Lawsuit") in the United States District Court for the Southern District of Texas naming the District and Ross as defendants. The Original Complaint alleged the District failed to pay just compensation for condemnation of the Kingsland Easement, thereby allegedly violating the United States Constitution. The District filed a motion to dismiss or to stay the lawsuit.

The federal court agreed with the District and granted the motion to stay the Federal Lawsuit, pending final adjudication of the Condemnation and Ross Lawsuits. The Federal Lawsuit has been administratively closed and will only resume upon request after conclusion of the Condemnation and Ross Lawsuits.

The District does not currently believe that any of the above referenced litigation will have a material adverse impact on the District's ability to make timely payment of debt service on the Bonds.

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used by Waller County Road Improvement District No. 1 (the "District") to finance reimbursement to certain developers for (1) water and sewer facilities and utility extension lines; (2) detention pond costs; (3) engineering material testing costs associated with items (1) and (2) above; (4) bond cost of issuance and certain administrative costs associated with the issuance of the Bonds. Additionally, bond proceeds will be used to fund developer interest and 1 year of capitalized interest on the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the construction and acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

<u>CONSTRUCTION COSTS</u>	<u>Total Amount</u>	(a)
<u>Developer Contribution Items</u>		
Kingslanding Ranch Logistics Park – WSD	\$7,022,046	
18-Acres Utility Extensions – Interstate Jordan Ranch	\$194,987	
Detention Pond to Interstate Jordan Ranch	\$704,280	
Water and Sanitary Sewer Utility Extensions - Safrin	\$159,135	
Engineering	\$449,928	
SWPP, Materials and Testing.	<u>\$112,915</u>	
<i>Total Developer Items</i>	\$8,643,291	
 <u>NON-CONSTRUCTION COSTS</u>		
Legal Fees	\$283,625	
Fiscal Agent Fees	\$222,900	
Interest		
Capitalized Interest	\$557,250	
Developer Interest	\$959,388	
Bond Discount	\$334,350	
Bond Issuance Expenses	\$41,833	
Bond Application Report Costs	\$65,000	
Attorney General Fee	\$9,500	
TCEQ Bond Issuance Fee	\$27,863	
Contingency	<u>\$0</u>	(b)
TOTAL NON-CONSTRUCTION COSTS	\$2,501,709	
 TOTAL BOND ISSUE REQUIREMENT	 \$11,145,000	

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District requested a waiver of the 30% developer contribution rule and such waiver was granted by the TCEQ.

(b) The District will designate the surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement. Such funds will be used by the District only after approval by the TCEQ.

THE BONDS

General

The Bonds will be dated December 1, 2025, with interest payable on March 1 and September 1 commencing March 1, 2026. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owners as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owners at the risk and expense of such Registered Owners.

Authority for Issuance

The Bonds are issued pursuant to the authority of the District's Bond Order, Article XVI, Section 59 of the Constitution and general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended; an approving Order of the TCEQ; and an election held within the District. At an election held on November 7, 2006, District voters authorized issuance of \$157,121,107 unlimited tax bonds for water, sewer and drainage purposes ("WSD bonds"); \$70,931,315 for road purposes ("Road bonds"); \$235,346,660 for the purposes of refunding any of its WSD bonds; and \$106,396,972 for the purposes of refunding any of its Road bonds. After the issuance of the Bonds, the District will have \$59,541,107 in unlimited tax WSD bonds; \$53,891,315 in unlimited tax road bonds; \$235,346,660 in unlimited tax refunding WSD bonds; and \$106,396,972 in unlimited tax refunding Road bonds remaining authorized but unissued.

Optional Redemption

The Bonds scheduled to mature on or after March 1, 2031 are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on March 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date.

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or with 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, (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 or 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-Only 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 such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all

rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided however, that the right to call the Bonds for redemption is not extinguished if the District: (i) is in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Funds

The Bond Order confirms the establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, as applicable, necessary to provide and rehabilitate improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of a total of \$570,131,054 of unlimited tax bonds and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$59,541,107 of unlimited tax bonds for water, sewer, and drainage facilities that will remain authorized but unissued; and \$235,346,660 unlimited tax bonds for water, sewer and drainage refunding purposes. The District also has \$53,891,315 unlimited tax road bonds that will remain authorized but unissued; and \$106,396,972 unlimited tax refunding bonds for roads. Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District if authorized by the District's voters and approved by the Board and the TCEQ (except bonds issued for road purposes do not require TCEQ approval).

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain feasibility, requirements under the TCEQ rules in which case the outstanding principal amounts of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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 Board has not considered calling such an election at this time. The District has no intention to develop a master fire plan.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes could dilute the security for the Bonds.

Replacement of Paying Agent/Registrar

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

Registration, Transfer, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to: (i) issue, transfer, or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business

on the date of such mailing or (ii) transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 45 calendar days.

Replacement of Mutilated, Lost, or Stolen Bonds

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

No Arbitrage

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, as amended, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriter cannot and do not give any assurance that (a) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (b) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owners of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (c) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Bonds 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Bonds and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owners") 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 Owners 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners.

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

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but neither of the District, the Financial Advisor nor the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

THE DISTRICT

Authority

The District was created as a road improvement district on June 20, 2003, by an act of the 78th Texas Legislature, Regular Session; under Article III, Sections 52 and 52-a, and Article XVI, Section 59 of the Texas Constitution; and operates pursuant to the provisions of Chapters 257 and 441, Transportation Code; Chapter 375, Local Government Code; and Chapters 49 and 54, Texas Water Code. The District is subject to the continuing supervision of the TCEQ for matters related to water, sewer, and drainage facilities. The District has powers provided by the general laws on road districts and road utility districts created under §52, Article III, Texas Constitution. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District also is authorized to construct, develop, and maintain park and recreational facilities and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provides such facilities and services to the customers of the District.

Description

The District as originally created included approximately 233 acres. Due to various annexations, the District's boundaries now include approximately 1,121 acres. The District is located in Waller County, with a small tract north of I-10 and the remainder south of I-10. It is approximately 4 miles west of the City of Katy, Texas and approximately 31 miles from downtown Houston. Primary access to the District is provided by exit and entrance ramps from I-10 at Igloo Road/Jordan Ranch Boulevard and the I-10 access at Woods Road.

The District has elevations ranging from 156 feet above mean sea level ("msl") to 152 feet above msl. Approximately 17 acres of the District's acreage lies within the 100-year flood plain as shown by current Federal Insurance Rate Maps ("FIRMs") published by the Federal Emergency Management Agency ("FEMA"). Approximately 3 of such acres are located within drainage ditches/channels and a District plant site; approximately 14 acres are anticipated to be removed from the flood plain with flood plain fill and/or be utilized for required ditches and drainage improvements. None of the District's developed acreage currently lies within the 100-year flood plain. The powers and authorities granted to the District in no way affect or impact the powers and authorities of the Brookshire-Katy Drainage District of Waller County, Texas.

The development in the District is described in detail under "OFFICIAL STATEMENT SUMMARY" and below in "STATUS OF DEVELOPMENT."

Land Use/Development in the District

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acreage	653
Additional Developable Acreage	274
Undevelopable Acreage	<u>194</u>
Total Approximate Acres	1,121

(a)

(a) Includes District plant sites, utility/drainage easements, detention ponds, permanent floodplain areas, and street rights-of-way, etc.

Management of the District

The District is governed by a Board of Directors (the “Board”) which has management control over all affairs of the District. The Directors are elected to serve a four-year staggered term at an election that is held on the first Saturday in May of each even-numbered year. The current members and officers of the Board, none of whom are residents of the District, are identified as follows:

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Kevin E. Staloch	President	2028
Robert Cortez	Vice President	2026
Gary Griffith	Secretary	2026
Kristen Woods	Treasurer	2026
A'Shunte Cashaw	Assistant Secretary	2028

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

Utility System Operator – TNG Utility Corporation has been engaged by the District to operate the District’s water distribution and wastewater collection facilities.

Tax Assessor/Collector – The District’s Tax Assessor/Collector is Bob Leared Interests, Inc., pursuant to a year-to-year contract. The District’s Tax Assessor/Collector applies the District’s tax rate to appraisal rolls prepared by WCAD and bills and collects the resulting levy.

Bookkeeper – The District’s statements of accounts are kept by McLennan & Associates (the “District’s Bookkeeper”).

Engineer – The District’s consulting engineer is Ward Getz & Associates, LLP (the “District’s Engineer”).

Financial Advisor – The District has engaged The GMS Group, L.L.C. as financial advisor to the District (the “District’s Financial Advisor”). The fees of the District’s Financial Advisor are contingent upon the sale and delivery of the Bonds.

Attorney – The District has engaged Wallace & Philbin, L.L.P., as General Counsel to the District and as Bond Counsel in connection with the issuance of District bonds.

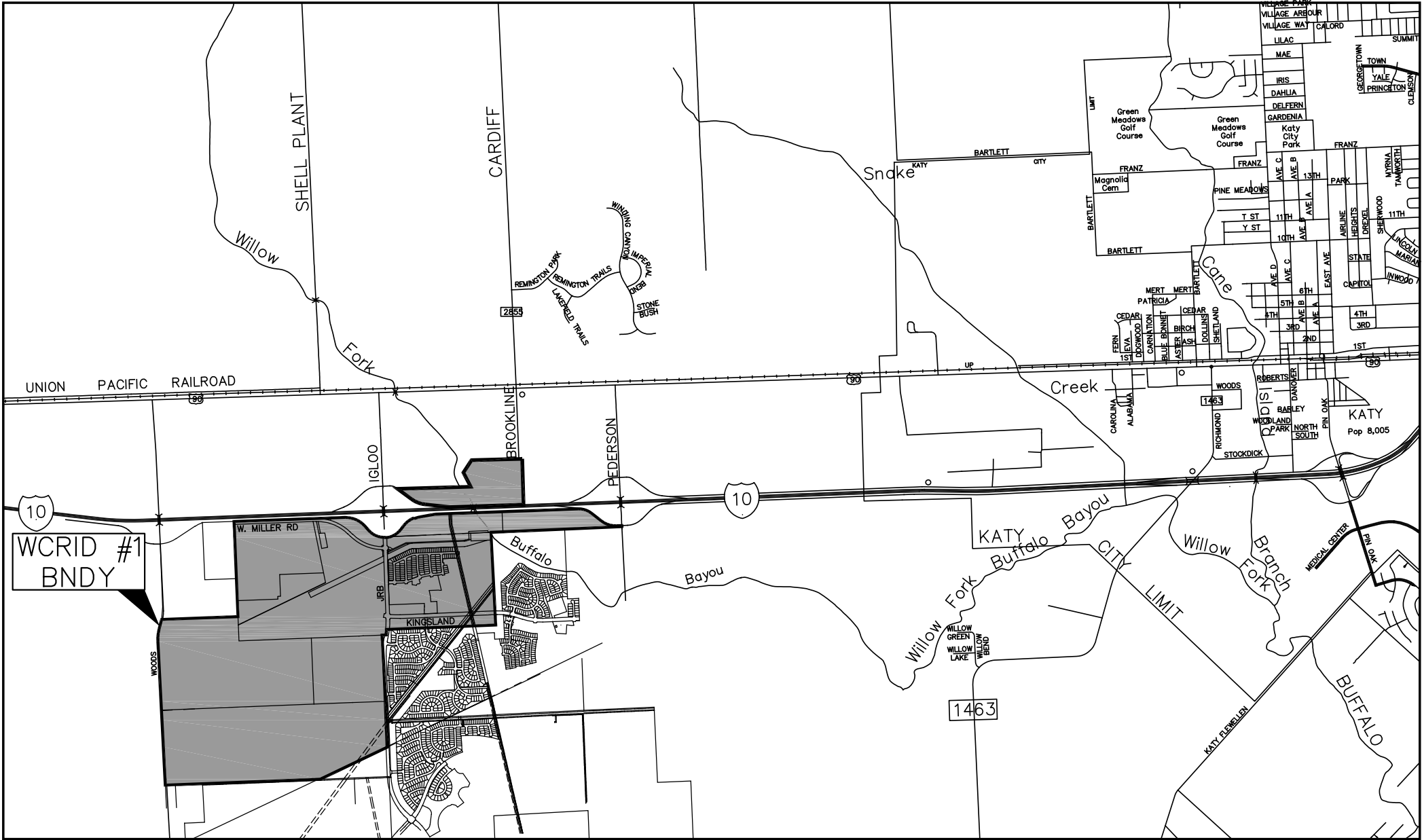
Auditor – The District employed McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants (the “District’s Auditor”) to audit its financials for the period ended December 31, 2024. The results of the December 31, 2024, are included as Appendix A to this Official Statement.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on matters related to the sale and delivery of the Bonds. Fees of the Disclosure Counsel will be paid from the proceeds of the Bonds; however, such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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 in 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, the inclusion of long-term securities or derivative products in the District portfolio.

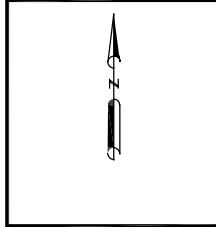
LOCATION MAP



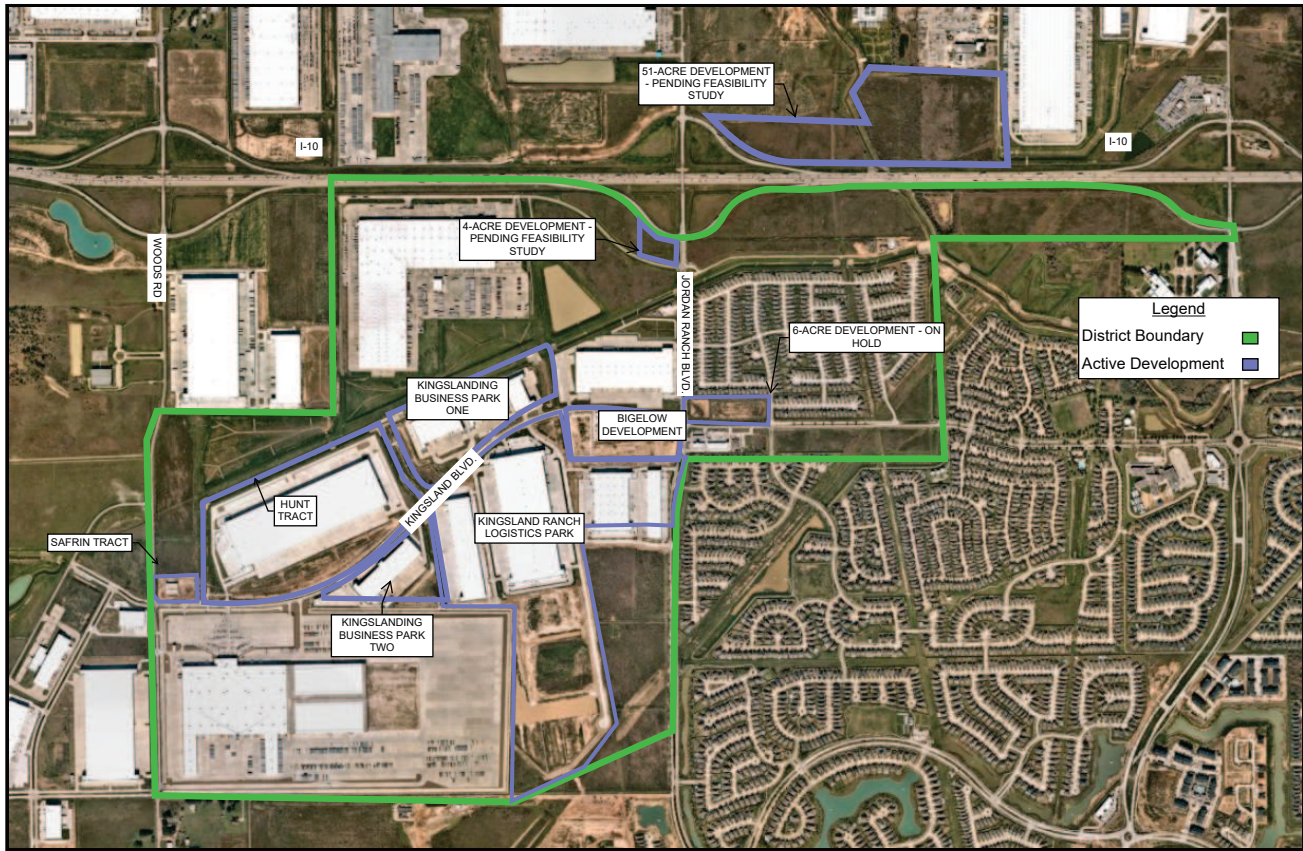
WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

LOCATION MAP

WALLER COUNTY
KEY MAP #483-E
N.T.S.



AERIAL PHOTOGRAPH



STATUS OF DEVELOPMENT

ML DEV LP ("ML DEV") is a Texas limited partnership that was established to develop land located within the District. ML DEV includes Window Dev GP, LLC. as the General Partner and Magness Family Partnership, LP as the Limited Partner. ML DEV is not actively involved with any development in the District, and has initiated several lawsuits seeking declaratory relief and damages against the District. The District has retained special litigation counsel to represent its interest in these matters. See "RISK FACTORS – Pending Litigation."

In November 2007, Lois Houston Associates, LLC ("LHA"), an affiliate of Rooms-To-Go, purchased approximately 118 acres of land located in the District and, subsequent to that date, constructed a 1,500,000 square foot building thereon. LHA is an affiliate of the business entity that operates the company that does business as Rooms To Go. LHA is a Delaware limited liability company created solely for the purpose of owning the land and the building (the "Property"). LHA leases the Property subject to a long-term triple net lease (the "RTG Lease") to RTG Furniture of Texas, L.P. ("RTG Texas" which is also described below). The RTG Lease terminates on July 31, 2029. The retail showroom includes four Rooms To Go concept stores: Rooms To Go, Rooms To Go Kids, Rooms To Go Patio, and Rooms To Go Outlet. LHA has been fully reimbursed for eligible water, sewer and drainage facilities.

In 2017, Starlight Homes Texas LLC ("Starlight Homes"), an affiliate of Ashton Woods Homes, purchased 114 acres from ML DEV for the purpose of developing single family lots in the subdivision known as Kingsland Heights. As of June 1, 2025, Starlight Homes had developed approximately 103 acres known as Kingsland Heights, Sections 1-5 into 456 single family lots and has completed all 456 homes (approximately 450 of which are currently occupied), 0 homes under construction, and 0 vacant developed lots. Approximately 11 acres in Kingsland Heights was developed as a stormwater detention pond. Starlight Homes has been fully reimbursed for eligible water, sewer and drainage facilities.

Jordan Ranch Distribution, LLC developed a 498,000 square foot warehouse and distribution building located on approximately 31 acres. RTG Texas, also an affiliate of Rooms-To-Go (via a special purpose entity known as Perimeter Industrial Partners LLC) entered a lease/purchase agreement and subsequently exercised its option to purchase the building and closed in May 2022. Jordan Ranch Distribution, LLC has been fully reimbursed from prior bonds of the District for its eligible water, sewer and drainage facilities.

Ross Dress for Less, Inc. purchased approximately 250 acres from ML DEV in May 2019. Ross Dress for Less, Inc. is a wholly owned subsidiary of Ross Stores, Inc., a publicly traded company, listed on the NASDAQ (ticker symbol ROST). ("Ross Stores.") Ross Stores has completed and occupied a 1.89 million square foot warehouse and distribution facility on a 189.9-acre tract. The remaining approximately 65 acres has been developed as detention facilities and drainage channels that have been conveyed to the District. Ross Stores is currently involved in certain litigation with ML DEV and the District that is more fully described herein. See "RISK FACTORS – Pending Litigation." Ross Dress for Less, Inc. has been fully reimbursed from prior bonds of the District for its eligible water, sewer and drainage facilities.

On May 9, 2019, the District approved entering a Tax Abatement Agreement with P150, LLC (subsequently assigned to Ross), in which the District, pursuant to the procedures set forth in Texas Tax Code, Chapter 312, agreed to rebate certain ad valorem taxes on Eligible Abatement Property within the Waller County P150 Reinvestment Zone No. 1, comprising the 189.9 acres of land developed as a regional distribution center by Ross. To date, \$2.0 million in tax abatements have been made out of \$5.0 million of total tax abatements agreed to. See "TAXING PROCEDURES – Tax Abatement."

Adkisson Group, Inc. ("Adkisson") of Houston, Texas, acquired a 28.452-acre tract in 2021 and has completed construction of three (3) industrial warehouse buildings with a combined square footage of approximately 402,650 square feet.

Adkisson also acquired a 17.4251-acre tract in 2021 and has completed construction of an approximately 200,680 square foot industrial warehouse. Adkisson's development and entities have been fully reimbursed for their eligible water, sewer and drainage facilities.

Falcon Commercial Development has established CIV JCD Jordan Ranch, LLC for the purpose of developing approximately 139 acres in the District. A portion of this property was subsequently conveyed to CIV JCD Jordan Ranch II, Ltd., a related entity. Site development commenced in 2022 for the development of five (5) industrial warehouse buildings totaling approximately 1,600,000 square feet along with public roadways and utilities. According to Falcon Commercial Development, 4 of the 5 buildings were completed by the second quarter of 2025 and are already 89% leased. The 5th building construction of 504,000 SF is expected to be completed by the end of 2025. The Developer will receive proceeds from the Bonds to reimburse eligible road costs. Future water, sewer and drainage Bonds are to be issued to reimburse eligible remaining water, sewer and drainage facilities.

Hunt Southwest – I10 West, LLC of Dallas, Texas ("Hunt SW") acquired a 67.70-acre tract of land and completed construction of a state-of-the-art, 1,051,080 SF industrial facility in April of 2023. The building was recently leased to PepsiCo. Hunt SW has been fully reimbursed for eligible water, sewer and drainage facilities.

Safrin, Inc. of Houston, Texas ("Safrin") acquired in 2022 a 2.2957-acre site at the northeast corner of Kingsland Boulevard and Woods Road. Safrin has completed a gas station/convenience store on the site and leasing activities are underway. The District has entered into a development financing agreement with this developer to reimburse eligible water, sewer and drainage facilities related to this project.

Interstate Jordan Ranch, L.L.C. of Houston, Texas ("Interstate") acquired in 2022 a 18.204-acre site at the southwest corner of Kingsland Boulevard and Igloo Road. Interstate has commenced construction of office condominiums and retail space. The District

has entered into a development financing agreement with this developer to reimburse eligible water, sewer and drainage facilities related to this project.

Starlight Homes, Ross Stores, Falcon Commercial Development, Adkisson, Safrin, Inc., Interstate Jordan Ranch, L.L.C. and Hunt SW are collectively referred to herein as the “Developers.”

DESCRIPTION OF THE DISTRICT'S SYSTEM

The following is a description of the District's water supply, wastewater and drainage facilities (the “System”) and certain System related contracts pursuant to which the District operates. The District was established to provide a potable water supply, to collect and treat wastewater and to provide for drainage of the land within the District. The following information was obtained from the District's Engineer.

Regulation

According to the Engineer, the water, wastewater and drainage facilities constructed by the District have been designed in accordance with accepted engineering practices and applicable regulatory criteria of the TCEQ, Waller County, and the Brookshire Katy Drainage District. Construction and operation of the facilities are subject to the inspection of the TCEQ and the Environmental Protection Agency as well as the aforementioned agencies. The regulatory requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision, which could require additional expenditures by the District in order to achieve compliance. Groundwater withdrawal from the water plant is regulated by the Bluebonnet Groundwater Conservation District.

Description

- Water Supply and Distribution -

The District currently has constructed one water supply plant with one 700 gpm well, one 600 gpm well, four distribution pumps with a combined capacity of 3,600 gpm, two 15,000-gallon pressure tanks and one 310,000-gallon ground storage tank (a second 310,000-gallon ground storage tank is currently in design). Under TCEQ criteria, this water plant has capacity to serve 1,550 equivalent single-family connections (“ESFCs”); the District currently serves approximately 662 ESFCs.

The District has obtained a groundwater withdrawal permit from the Bluebonnet Groundwater Conservation District, whose service area includes Waller, Austin, Grimes and Walker Counties.

- Wastewater Collection and Treatment -

The District has constructed Phase 1 and Phase 2 of a wastewater treatment plant capable of treating 150,000 gallons per day (average flow), which is sufficient to serve 697 ESFCs on a 215 gpd/ESFC rating; the District currently serves approximately 662 ESFCs. The District has obtained a wastewater discharge permit from the TCEQ (TPDES No. WQ0014571001) for a maximum of 980,000 gallons per day, which will be sufficient to serve the anticipated build out of the District. The District is nearing completion of construction of a 500,000 gallon per day permanent concrete wastewater treatment plant to replace the existing 150,000 gpd plant; the larger plant was financed with proceeds of the District's Series 2022 Bonds.

Wastewater is collected in a gravity sewer from the Rooms To Go tract and transported to a District owned sanitary lift station located near the Rooms To Go tract. The sanitary lift station pumps wastewater through a 4-inch force main to the District's wastewater treatment plant. Wastewater collected in a gravity sanitary sewer system within the existing and proposed sections of the Kingsland Heights development is connected to the District's second lift station through a 10" sanitary sewer line that crosses under the District's Detention Channel. The second lift station pumps wastewater to the District's wastewater treatment plant. The retail center on the southeastern corner of the Kingsland Boulevard and the Jordan Ranch Boulevard intersection is served by a manhole upstream of this sanitary sewer system in Kingsland Heights. Development along Kingsland Boulevard from Woods Road to Jordan Ranch Boulevard is conveyed through two District-owned lift stations.

- Stormwater Collection, Detention and Outfall Drainage -

The District area drains to the Willow Fork of Buffalo Bayou, which is adjacent to the District's boundary on its northeast side. The District is located entirely within the boundaries of the Brookshire-Katy Drainage District, which regulates stormwater drainage in its jurisdiction. The powers and authorities granted to the District in no way affect or impact the powers and authorities of the Brookshire-Katy Drainage District of Waller County, Texas. The District has obtained an approval from the BKDD for its Master Drainage Plan, which proposes a system of stormwater detention basins and outfall drainage ditches be constructed in phases to serve the development in the District. The drainage facilities constructed to serve the current development in the District are in accordance with this approved plan.

The Phase 1 drainage facilities include a stormwater detention basin located adjacent to the Rooms To Go tract, and the Phase 1 drainage channel which drains the stormwater detention basin to the Willow Fork of Buffalo Bayou. The drainage ditch construction included installation of box culverts under Jordan Ranch Boulevard and box culverts under several gas pipelines. Additional drainage facilities include the extension of the existing conveyance channel, a detention pond, and a concrete lined perimeter channel surrounding the Ross Distribution Center site. The developed tracts and road rights-of-ways in the District drain to the stormwater detention basin or the drainage ditch by a combination of roadside drainage ditches and storm sewers. Ongoing

development in the District is being served by internal private site storm sewer into public detention ponds on each site. These detention ponds outfall into the District's Detention Channel at various points.

- Topography and 100-Year Floodplain -

The land elevations of the District range from 156 feet above mean sea level ("msl") at its northwestern corner to 152 feet above msl at its southeastern corner, as shown on the USGS topographic quadrangle maps. According to the current Federal Emergency Management Agency Flood Insurance Rate Maps, approximately 1104 acres of the District are located outside of the 100-year floodplain and approximately 17 acres are located within the 100-year floodplain. The 17 acres are located at the District's eastern boundary and adjacent to the Willow Fork of Buffalo Bayou. None of the District's developed acreage currently lies within the 100-year flood plain.

Historical Operations of the System

The 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. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year Ended December 31 (a)				
	2024	2023	2022	2021	2020
REVENUES					
Property Taxes	\$5,311,556	\$5,500,910	\$2,854,128	\$1,027,390	\$900,631
Water Service	\$258,159	\$248,999	\$161,952	\$115,730	\$85,895
Wastewater Service	\$243,556	\$244,165	\$193,156	\$104,228	\$69,077
Penalty and Interest	\$15,174	\$5,701	\$7,564	\$3,875	\$797
Tap Connection and Inspection Fees	\$439,073	\$191,420	\$406,210	\$414,740	\$50,400
Investment Revenues	\$560,892	\$392,781	\$42,849	\$748	\$8,839
Sales Tax Revenue	\$228,334	\$187,683	\$287,984 (d)	\$294,175 (d)	\$312,716 (d)
Miscellaneous Revenues	\$19,404	\$20,525	\$15,355	\$189,244	\$235,204
TOTAL REVENUES	\$7,076,148	\$6,792,184	\$3,969,198	\$2,150,130	\$1,663,559
EXPENDITURES					
Professional Fees	\$849,541 (b)	\$753,742 (b)	\$925,217 (b)	\$611,194 (b)	\$515,750 (b)
Contracted Services	\$192,408	\$160,698	\$133,160	\$82,732	\$52,267
Utilities	\$55,189	\$67,245	\$43,191	\$39,329	\$32,777
Repairs and Maintenance	\$633,145	\$503,845	\$320,185	\$279,439	\$152,665
Other	\$414,375	\$651,256	\$318,387	\$327,476	\$122,606
Developer Reimbursement	-	\$1,240,100 (e)	\$287,984 (d)	\$294,175 (d)	\$312,716 (d)
Capital outlay	\$80,691	\$32,540	\$34,660	\$1,333,020 (c)	\$53,373
TOTAL EXPENDITURES	\$2,225,349	\$3,409,426	\$2,062,784	\$2,967,365	\$1,242,154
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$4,850,799	\$3,382,758	\$1,906,414	(\$817,235)	\$421,405
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	-	-	-	-	-
Condemnation Refund			\$1,332,970 (c)		
TOTAL OTHER FINANCING SOURCES (USES)	-	-	\$1,332,970 (c)	-	-
NET CHANGE IN FUND BALANCE	\$4,850,799	\$3,382,758	\$3,239,384	(\$817,235)	\$421,405
BEGINNING FUND BALANCE	\$7,041,060	\$3,658,302	\$418,918	\$1,236,153	\$814,748
ENDING FUND BALANCE (f)	\$11,891,859	\$7,041,060	\$3,658,302	\$418,918	\$1,236,153

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) Includes certain litigation costs. See "RISK FACTORS – Pending Litigation."

(c) Includes capital outlays for the acquisition for Kingsland Boulevard right-of-way by condemnation. Per a Waller County district court ruling, the money was subsequently refunded to the District.

(d) Reflects reimbursements made to fully reimburse Lois Houston from sales tax revenues as provided for in the Strategic Partnership Agreement. See "TAXING PROCEDURES – Strategic Partnership Agreements."

(e) Reflects reimbursements made to Starlight Homes and Ross Dress For Less, Inc.

(f) As of September 19, 2025, the District's General Fund had an unaudited cash and investment balance of approximately \$13,638,803. The District's General Fund fiscal year 2025 budget currently calls for General Fund revenues of approximately \$5,711,467 and General Fund expenditures of approximately \$2,496,460.

DISTRICT DEBT
(unaudited)

4/15/2025 Estimated Taxable Value	\$972,955,518	(a)
2025 Taxable Value	\$919,593,672	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of October 1, 2025)	\$101,370,000	
Plus: The Bonds	<u>\$11,145,000</u>	
Total Direct Debt	\$112,515,000	
Estimated Overlapping Debt	<u>\$91,745,852</u>	
Direct and Estimated Overlapping Debt	\$204,260,852	
Percentage of Direct Debt to:		
4/15/2025 Estimated Taxable Value	11.56%	
2025 Taxable Value	12.24%	
See "DISTRICT DEBT"		
Percentage of Direct & Overlapping Debt to:		
4/15/2025 Estimated Taxable Value	20.99%	
2025 Taxable Value	22.21%	
See "DISTRICT DEBT"		
2025 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.59	
Road Debt Service	\$0.08	
Maintenance Tax	<u>\$0.28</u>	
Total 2025 Tax Rate	\$0.95	

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- (a) Reflects data supplied by WCAD. The Estimated Taxable Value as of 4/15/2025 was prepared by WCAD and provided to the District for informational purposes only. Such values are not binding on WCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAX DATA."
- (b) The District's 2025 Taxable Value figure above reflects the total certified value as of January 1, 2025 per WCAD. See "TAX DATA" and "TAXING PROCEDURES."

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Royal Independent School District	\$169,177,994	22.70%	\$38,405,551
Waller County	\$175,805,000	7.28%	\$12,800,102
Katy Independent School District (a)	\$2,657,125,000	1.53%	\$40,540,199
Total Estimated Overlapping Debt			\$91,745,852
The District's Direct Debt (b)			\$112,515,000
Total Direct and Estimated Overlapping Debt			\$204,260,852

(a) Applies to property within Kingsland Heights, Sections 1-5.

(b) Includes the Bonds.

TAX DATA

Tax Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.59	\$0.33	\$0.28	\$0.21	\$0.29
Road Debt Service	\$0.08	\$0.08	\$0.04	\$0.05	\$0.00
Maintenance/Operation	<u>\$0.28</u>	<u>\$0.59</u>	<u>\$0.73</u>	<u>\$0.91</u>	<u>\$0.88</u>
Total	\$0.95	\$1.00	\$1.05	\$1.17	\$1.17

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. Such maintenance tax was authorized by vote of the District's electors in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any Tax Bonds which may be issued in the future.

Analysis of Tax Base

Based on information provided to the District by the District's Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by WCAD) for the years 2021 through 2025.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Values</u>	<u>Exemptions</u>	<u>Taxable Value (a)</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2025	\$180,370,908	\$604,125,073	\$293,403,590	\$1,077,899,571	\$158,305,899	\$919,593,672
2024	\$167,682,696	\$575,911,310	\$218,492,323	\$962,086,329	\$59,483,847	\$902,602,482
2023	\$164,943,832	\$480,074,781	\$150,702,590	\$795,721,203	\$68,402,564	\$727,318,639
2022	\$171,634,570	\$435,135,396	\$31,912,109	\$638,682,075	\$46,329,689	\$592,352,386
2021	\$106,269,866	\$241,459,913	\$21,450,326	\$369,180,105	\$64,621,211	\$304,558,894

(a) Represents the gross values supplied by WCAD less exemptions.

Principal Taxpayers

The list of principal taxpayers for 2025, and the other information in this table, was provided by the District's Tax Assessor/Collector based on certified tax rolls provided by WCAD, net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District. For a further description of individual properties, see "STATUS OF DEVELOPMENT."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2025 Valuation</u>	<u>% of Total</u>
Ross Dress for Less, Inc.	Land, Improvements & Personal Property	\$348,486,539	37.90%
CIV FCD Jordan Ranch LLC	Land & Improvements	\$108,713,130	11.82%
Lois Houston Associates LLP	Land & Improvements	\$78,206,120	8.50%
Hunt Southwest-i10 West	Land & Improvements	\$66,000,000	7.18%
Perimeter Industrial Partners LLC	Land & Improvements	\$35,000,000	3.81%
RTG Furniture of Texas LP	Land & Improvements	\$33,635,100	3.66%
Kaeruu Co Ltd	Land & Improvements	\$27,619,155	3.00%
IL TREP KINGSLAND LLC	Land & Improvements	\$16,900,000	1.84%
Kingslanding Partners 1L (a)	Land & Improvements	\$15,425,500	1.68%
Kingslanding Properties L	Land & Improvements	\$12,558,370	1.37%
TOTAL		\$742,543,914	80.75%

Levy and Collection

The following represents the collection history of District taxes; the collections represent cumulative collections for each year's tax levy through March 31, 2025. According to the District's Tax Assessor/Collector, the District's current tax collections for the past 10 years have averaged more than 97%.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Levy</u>	<u>Cumulative Collections (a)</u>	<u>Ended 9/30</u>
2025	\$919,593,672	\$0.95	\$8,736,140	(b)	2026
2024	\$902,602,482	\$1.00	\$9,026,025	99%	2025
2023	\$727,318,639	\$1.05	\$7,636,846	100%	2024
2022	\$592,352,386	\$1.17	\$6,930,523	100%	2023
2021	\$304,558,884	\$1.17	\$3,563,339	100%	2022
2020	\$129,159,253	\$1.17	\$1,511,163	100%	2021

(a) Represents the tax collections as of October 1, 2025.

(b) The 2025 tax levy is in the process of collections; such taxes became delinquent if not paid before February 1, 2026. See "TAXING PROCEDURES."

Tax Rate Calculations

The tax rate calculations set forth below, solely for the purpose of illustration, are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet the maximum annual debt service requirements if no growth in the District occurs beyond the dates/values noted below. The foregoing further assumes collection of 95% of taxes levied, and assumes the issuance of the Bonds but no additional bonds.

Maximum Annual Debt Service Requirements (2038).....	\$7,287,861*
\$0.79 Tax Rate on 4/15/2025 Estimated Taxable Value of \$972,955,518	
@ 95% collection produces.....	\$7,302,031*
\$0.84 Tax Rate on 2025 Taxable Value of \$919,593,672	
@95% collection produces.....	\$7,338,358*

*Preliminary, subject to change.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. See "DISTRICT DEBT – Estimated Overlapping Debt." Set forth below are all 2025 taxes levied by such taxing jurisdictions and it includes the 2025 District's tax rate, assuming each assesses at 100% basis of assessment. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy of entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2024 Tax Rate Per \$100 Assessed Valuation</u>
Royal Independent School District	\$1.114017
Waller County	\$0.472978
Brookshire-Katy Drainage District	\$0.057898
Waller-Harris Emergency Service District No. 200	\$0.096641
County of Waller – FM	\$0.023043
Overlapping Taxing Jurisdictions	\$1.764577
The District (2025)	\$0.950000
Estimated Total Tax Rate (a)	\$2.714577

-
- (a) A portion of the District, including the Kingsland Heights subdivision, is located within Katy ISD. The overlapping tax rate for such land is \$2.717660 as opposed to the \$2.714577 noted in the table above.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its facilities and for the payment of certain contractual obligations, if authorized by the voters in the District. See "TAX DATA – Tax Distribution and "–Maintenance Tax."

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. 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 an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. WCAD has the responsibility for appraising property for all taxing units within Waller County, including the District. Such appraisal values are subject to review and change by the Waller County Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

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

Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$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 the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also 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, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: Freeport goods are goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, that have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within 175 days. Freeport goods are exempted from taxation by the District. Effective January 1, 2008, a "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Strategic Partnership Agreements

In 2014, the District entered into two Strategic Partnership Agreements ("SPA#1" and "SPA#2") with the City of Fulshear, Texas ("City"). The Strategic Partnership Agreements provide that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "LPA Phase I Area" and "LPA Phase II Area" for the limited purposes as outlined in the Agreements. During the fiscal year ending December 31, 2016, the District and the City entered into Strategic Partnership No. 3 (as amended, "SPA#3") to include approximately 118 acres (Rooms To Go land) within the City for limited purposes.

Pursuant to the terms of the Strategic Partnership Agreements, the District will continue to develop, to own, and operate and maintain a water, wastewater, and drainage system in the District. Additionally, the Strategic Partnership Agreements provide that the taxable property within the District shall not be liable for any present or future debts of the City, and that the current and future taxes levied by the City shall not be levied on taxable property within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of limited-purpose annexation. The Sales and Use Tax shall be imposed on the receipts from the sale and use according to Texas law. The City agrees to pay to the District the agreed portion of all Sales and Use Tax revenues generated within the boundaries of the District that are reported on the monthly sales tax reports provided by the Comptroller and received by the City from the Comptroller after the date of the limited-purpose annexation. During the current fiscal year, the District recorded sales tax revenues in the amount of \$188,683. To date, no funds have been received under SPA #1 or SPA #2.

Tax Abatement

Waller County or the City of Fulshear (the "City") may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Fulshear (after annexation of the District), Waller County, Royal Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed 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 owners make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

On May 9, 2019, the District entered a Tax Abatement Agreement ("Agreement") with P150, LLC (subsequently assigned to Ross Dress for Less, Inc., collectively, "Ross"), in which the District, pursuant to the procedures set forth in Texas Tax Code, Chapter 312, agreed to abate certain ad valorem taxes on Eligible Abatement Property within the Waller County P150 Reinvestment Zone No. 1, comprising 189.9 acres of land developed as a regional distribution center by Ross. The Agreement establishes a base appraised value for land, improvements, and tangible personal property of \$300,000,000 upon completion of the project. Commencing January 1, 2023 and extending for a maximum of ten (10) years thereafter, the amount of tax abated by the District shall equal a maximum of \$1,000,000, provided that the value of the Abatement Property, as defined in the Agreement, is at least \$300,000,000 in that year. The Agreement terminates upon the earlier to occur of (a) December 31, 2033, or (b) Ross has received an aggregate abatement of \$5,000,000 in property taxes payable to the District. Should the value of the Abatement Property fall below \$300,000,000 in any given year, no tax abatement will be granted in that year or carry forward to subsequent years. Ross has qualified for and received tax abatements of \$1,000,000 each for the tax years 2023 and 2024. Similar abatements are expected to be made in 2025, 2026 and 2027, whereupon the Agreement will then terminate.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 the agricultural use, open space, timberland designation, or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to unqualified owners, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

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

Tax Exemption for Property Damaged by Disaster

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person: (1) has been granted an exemption under Section 11.13, Tax Code, (2) requests an installment agreement, and (3) has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the classifications 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, disregarding certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 tax year on a residence homestead appraised at the average appraised value of a resident 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, disregarding certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 are classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence

homestead appraised at the average appraised value of a residence homestead, disregarding certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 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 tax year on a residence homestead appraised at the average appraised value of a resident 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 on an annual basis, at the time a district sets its tax rates. The District is anticipating being designated a Developing District for the 2025 tax year. 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on parity with tax liens of other such taxing units (see "TAX DATA – Estimated 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to owners of residential homestead property who are: (i) 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 years after the deed issued at foreclosure is filed of record and may redeem all other property within six months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS – Tax Collections."

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owners of the taxed property as of January 1 of the year in which the taxes are levied. On January 1 of each year, a tax lien attaches to property in the District to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

In addition to actions under the tax lien describe above, the District has legal authority to terminate water service to any taxpayer whose taxes remain delinquent after August 1st of each year.

Delinquent Tax Payments for Disaster Areas

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

Additionally, the Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

ANNEXATION AND CONSOLIDATION

Annexation by the City of Fulshear

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Fulshear without the District's consent. However, pursuant to legislation, effective December 1, 2017, the City may not annex the District unless (i) such annexation is approved by voters in an election held for that purpose within the area proposed to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition is signed by more than 50% at the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "TAXING PROCEDURES – Strategic Partnership Agreements." If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within 90 days. The District makes no representation concerning the ability of the City to pay debt service on the District's bonds. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation that annexation might occur.

Consolidation

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

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriter with a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving 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 Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Wallace & Philbin, L.L.P. ("Bond Counsel") to the effect that, based upon an examination of such transcript, the Bonds are legal, valid, and binding obligations of the District and that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

The opinion of Bond Counsel is expected to be reproduced on the back panel of the Bonds. Failure to print such legal opinion on any Bond shall not constitute cause for a failure or refusal by the Underwriter to accept delivery of, and pay for the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "REGISTRATION," "THE BONDS," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "LEGAL MATTERS" (as it relates to the opinion of Bond Counsel), "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the procedures, documents, and legal matters referred to therein. Bond Counsel has not, however, independently

verified any of the factual information contained in this Official Statement nor has it investigated the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Wallace & Philbin, L.L.P. acts as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered. Therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Wallace & Philbin, LLP, Attorneys at Law, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") interest on the Bonds: (a) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code (the "Code"), of the owners thereof for federal income tax purposes; and (b) will not be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District's no-arbitrage certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, and certain other matters. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. 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 the purchase, ownership or disposition of the Bonds.

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

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 statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

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.

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District will NOT designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 qualification of the Bonds under the Securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, WCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, and engineering and other related reports 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. All estimates, statements, and assumptions in this Official Statement and the Appendix 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.

Financial Advisor

The Official Statement was compiled and edited under the supervision of the District's Financial Advisor. The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered. Therefore, such fees are contingent on the sale and delivery of the Bonds.

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 matters generally, to the description of the System and, in particular, that engineering related information included in the sections entitled "USE OF BOND PROCEEDS," "THE DISTRICT – Description" and "DESCRIPTION OF THE DISTRICT'S SYSTEM" has been provided by Ward Getz & Associates, LLP and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Waller County Appraisal District and by Bob Leared Interests, Inc. the District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors: The audited financial statements of the District and the accompanying report by McCall Gibson Swedlund Barfoot Ellis PLLC are shown in Appendix A. McCall Gibson Swedlund Barfoot Ellis PLLC has agreed to the publication of its audit report on such financial statements in this official statement. McCall Gibson Swedlund Barfoot Ellis PLLC was not requested to perform any updating procedures subsequent to the date of its audit report on the December 31, 2024, financial statements.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, to the other matters described in the Official Statement until the delivery of the Bonds to the Underwriter, unless the Underwriter notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend until the earlier of the time when all of the Bonds have been sold or 90 days after delivery of the Bonds.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies for the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and therefore, there can be no assurance that any forward-looking statements included in this Official Statement would prove to be accurate.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles, and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is filed with the TCEQ within 135 days after the close of its fiscal year. Copies of each audit report are also filed in the office of the District. The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written

request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Wallace & Philbin, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057.

Certification as to Official Statement

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

This Official Statement was approved by the Board of Directors of Waller County Road Improvement District No. 1 as of the date shown on the cover page.

APPENDIX A

**WALLER COUNTY ROAD IMPROVEMENT DISTRICT No. 1
WALLER, TEXAS**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2024

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

WALLER COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2024

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Waller County Road
Improvement District No. 1
Waller County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waller County Road Improvement District No. 1 (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the Water District Financial Management Guide is presented for purposes of additional analysis and 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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

April 16, 2025

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

Management's discussion and analysis of Waller County Road Improvement District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$22,062,843 as of December 31, 2024. The following is a comparative analysis of government-wide changes in net position:

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 29,157,653	\$ 28,591,898	\$ 565,755
Capital Assets (Net of Accumulated Depreciation)	56,787,687	33,595,093	23,192,594
Total Assets	\$ 85,945,340	\$ 62,186,991	\$ 23,758,349
Deferred Outflows of Resources	\$ 157,701	\$ 169,919	\$ (12,218)
Developer Advances	\$ 13,145,950	\$ 19,223,074	\$ 6,077,124
Bonds Payable	84,045,477	53,393,555	(30,651,922)
Other Liabilities	1,938,429	3,399,357	1,460,928
Total Liabilities	\$ 99,129,856	\$ 76,015,986	\$ (23,113,870)
Deferred Inflows of Resources	\$ 9,036,028	\$ 7,638,219	\$ (1,397,809)
Net Position:			
Net Investment in Capital Assets	\$ (34,007,638)	\$ (28,975,799)	\$ (5,031,839)
Restricted	12,236	631,952	(619,716)
Unrestricted	11,932,559	7,046,552	4,886,007
Total Net Position	\$ (22,062,843)	\$ (21,297,295)	\$ (765,548)

The following table provides a summary of the District's operations for the years ending December 31, 2024, and December 31, 2023. The District's net position decreased by \$765,548.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 7,685,683	\$ 6,958,057	\$ 727,626
Charges for Services	1,015,518	709,013	306,505
Other Revenues	1,402,356	1,817,291	(414,935)
Total Revenues	\$ 10,103,557	\$ 9,484,361	\$ 619,196
Expenses for Services	10,869,105	7,120,132	(3,748,973)
Change in Net Position	\$ (765,548)	\$ 2,364,229	\$ (3,129,777)
Net Position, Beginning of Year	(21,297,295)	(23,661,524)	2,364,229
Net Position, End of Year	\$ (22,062,843)	\$ (21,297,295)	\$ (765,548)

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2024, were \$19,203,445, an increase of \$960,017 from the prior year.

The General Fund fund balance increased by \$4,850,799, primarily due to property taxes, service revenues and investment revenues exceeding operating costs and capital costs.

The Debt Service Fund fund balance decreased by \$249,568, primarily due to the structure of the District's outstanding debt net the capitalized interest from the proceeds of the Series 2024 and Series 2024A bonds.

The Capital Projects Fund fund balance decreased by \$3,641,214, primarily due to capital outlay expenditures related to the Wastewater Treatment Plant Phase III, Kingsland East Expansion and 2022 Water Plant Improvements projects net the surplus funds from the Series 2024 and Series 2024A bond issuances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$698,267 more than budgeted revenues. Actual expenditures were \$746,648 more than budgeted expenditures. This resulted in a negative budget variance of \$48,381. See the budget to actual comparison.

CAPITAL ASSETS

The District's capital assets as of December 31, 2024, total \$56,787,687 (net of accumulated depreciation). These capital assets include water and wastewater systems. As roadways are completed, they are transferred to Waller County for maintenance.

Capital asset events completed during the current fiscal year included the following: 2022 Water Plant Improvement, Public Detention Pond I-10 West Addition including related land, land costs related to the Ross Perimeter Channel, Ross Detention Pond and Detention Channels, Public Detention Pond for Kingslanding Business Park One and Public Detention Pond for Kingslanding Business Park Two and drainage and detention ponds to serve corner at Kingsland.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 19,325,865	\$ 2,380,603	\$ 16,945,262
Construction in Progress	9,050,715	4,230,595	4,820,120
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,773,234	4,606,752	166,482
Wastewater System	4,919,107	5,017,931	(98,824)
Drainage System	18,718,766	17,359,212	1,359,554
Total Net Capital Assets	<u>\$ 56,787,687</u>	<u>\$ 33,595,093</u>	<u>\$ 23,192,594</u>

**WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$84,380,000. The changes in the debt position of the District during the fiscal year ended December 31, 2024, are summarized as follows:

Bond Debt Payable, January 1, 2024	\$ 53,625,000
Add: Bond Sales - Series 2024 and Series 2024A	31,240,000
Less: Bond Principal Paid	<u>485,000</u>
Bond Debt Payable, December 31, 2024	<u>\$ 84,380,000</u>

The District's bonds are not rated or insured except for the Series 2024 bonds which carry an insured rating of AA by virtue of bond insurance issued by Assured Guaranty and the Series 2024A bonds which carry an underlying rating of Baa2 and an insured rating of AA/A1 by virtue of bond insurance issued by Assured Guaranty. Credit enhanced ratings are provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Waller County Road Improvement District No. 1, c/o Bacon, Wallace & Philbin, L.L.P., 6363 Woodway, Suite 800, Houston, TX 77057-1762.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 46,854	\$ 2,172,928
Investments	10,517,481	1,792,584
Receivables:		
Property Taxes	4,086,901	2,824,987
Penalty and Interest on Delinquent Taxes		
Service Accounts	85,372	
Due from Other Funds	2,765,897	
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 17,502,505</u>	<u>\$ 6,790,499</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 17,502,505</u></u>	 <u><u>\$ 6,790,499</u></u>

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 5,996	\$ 2,225,778	\$	\$ 2,225,778
7,566,452	19,876,517		19,876,517
	6,911,888		6,911,888
		2,385	2,385
	85,372		85,372
	2,765,897	(2,765,897)	
55,713	55,713		55,713
		19,325,865	19,325,865
		9,050,715	9,050,715
		28,411,107	28,411,107
<u>\$ 7,628,161</u>	<u>\$ 31,921,165</u>	<u>\$ 54,024,175</u>	<u>\$ 85,945,340</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 157,701</u>	<u>\$ 157,701</u>
<u>\$ 7,628,161</u>	<u>\$ 31,921,165</u>	<u>\$ 54,181,876</u>	<u>\$ 86,103,041</u>

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 140,196	\$
Accrued Interest Payable		
Developer Advances	12,790	
Retainage Payable	54,454	
Due to Other Funds		1,931,948
Due to Taxpayers		38,456
Security Deposits	31,250	
Accrued Interest at Time of Sale		16,128
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 238,690</u>	<u>\$ 1,986,532</u>
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue	<u>\$ 5,371,956</u>	<u>\$ 3,717,992</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,085,975
Unassigned	<u>11,891,859</u>	
TOTAL FUND BALANCES	<u>\$ 11,891,859</u>	<u>\$ 1,085,975</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 17,502,505</u></u>	<u><u>\$ 6,790,499</u></u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 201,343	\$ 341,539	\$	\$ 341,539
		1,089,344	1,089,344
	12,790	13,133,160	13,145,950
367,258	421,712		421,712
833,949	2,765,897	(2,765,897)	
	38,456		38,456
	31,250		31,250
	16,128		16,128
		580,000	580,000
		83,465,477	83,465,477
<u>\$ 1,402,550</u>	<u>\$ 3,627,772</u>	<u>\$ 95,502,084</u>	<u>\$ 99,129,856</u>
<u>\$ - 0 -</u>	<u>\$ 9,089,948</u>	<u>\$ (53,920)</u>	<u>\$ 9,036,028</u>
\$ 6,225,611	\$ 6,225,611	\$ (6,225,611)	\$
	1,085,975	(1,085,975)	
	11,891,859	(11,891,859)	
<u>\$ 6,225,611</u>	<u>\$ 19,203,445</u>	<u>\$ (19,203,445)</u>	<u>\$ - 0 -</u>
<u>\$ 7,628,161</u>	<u>\$ 31,921,165</u>		
		\$ (34,007,638)	\$ (34,007,638)
		12,236	12,236
		11,932,559	11,932,559
		<u>\$ (22,062,843)</u>	<u>\$ (22,062,843)</u>

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024

Total Fund Balances - Governmental Funds	\$ 19,203,445
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	157,701
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	56,787,687
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.	56,305
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developers	\$ (13,133,160)	
Accrued Interest Payable	(1,089,344)	
Bonds Payable	(84,045,477)	(98,267,981)
Total Net Position - Governmental Activities		\$ (22,062,843)

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 5,311,556	\$ 2,327,268
Water Service	258,159	
Wastewater Service	243,556	
Penalty and Interest	15,174	58,866
Tap Connection and Inspection Fees	439,073	
Investment Revenues	560,892	106,017
Sales Tax Revenues	228,334	
Miscellaneous Revenues	19,404	
TOTAL REVENUES	<u>\$ 7,076,148</u>	<u>\$ 2,492,151</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 849,541	\$ 3,904
Contracted Services	192,408	125,947
Utilities	55,189	
Repairs and Maintenance	633,145	
Depreciation		
Other	414,375	995,986
Developer Reimbursement		
Developer Interest		
Capital Outlay	80,691	
Debt Service:		
Bond Issuance Costs		
Bond Principal		485,000
Bond Interest		2,467,232
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,225,349</u>	<u>\$ 4,078,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>\$ 4,850,799</u>	<u>\$ (1,585,918)</u>
OTHER FINANCING SOURCES (USES)		
Bond Premium	\$	\$
Bond Discount		
Long-Term Debt Issued		1,336,350
TOTAL OTHER FINANCING SOURCES, NET	<u>\$ -0-</u>	<u>\$ 1,336,350</u>
NET CHANGE IN FUND BALANCES	\$ 4,850,799	\$ (249,568)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2024	<u>7,041,060</u>	<u>1,335,543</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2024	<u><u>\$ 11,891,859</u></u>	<u><u>\$ 1,085,975</u></u>

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 7,638,824	\$ 46,859	\$ 7,685,683
	258,159		258,159
	243,556		243,556
	74,040	690	74,730
	439,073		439,073
487,709	1,154,618		1,154,618
	228,334		228,334
	19,404		19,404
<u>\$ 487,709</u>	<u>\$ 10,056,008</u>	<u>\$ 47,549</u>	<u>\$ 10,103,557</u>
\$	\$ 853,445	\$	\$ 853,445
	318,355		318,355
	55,189		55,189
	633,145		633,145
		783,957	783,957
543	1,410,904		1,410,904
24,825,381	24,825,381	(24,825,381)	
1,487,570	1,487,570		1,487,570
5,151,400	5,232,091	(5,232,091)	
2,454,650	2,454,650		2,454,650
	485,000	(485,000)	
	2,467,232	404,658	2,871,890
<u>\$ 33,919,544</u>	<u>\$ 40,222,962</u>	<u>\$ (29,353,857)</u>	<u>\$ 10,869,105</u>
<u>\$ (33,431,835)</u>	<u>\$ (30,166,954)</u>	<u>\$ 29,401,406</u>	<u>\$ (765,548)</u>
\$ 539,158	\$ 539,158	\$ (539,158)	\$
(652,187)	(652,187)	652,187	
<u>29,903,650</u>	<u>31,240,000</u>	<u>(31,240,000)</u>	
<u>\$ 29,790,621</u>	<u>\$ 31,126,971</u>	<u>\$ (31,126,971)</u>	<u>\$ -0-</u>
\$ (3,641,214)	\$ 960,017	\$ (960,017)	\$
		(765,548)	(765,548)
9,866,825	18,243,428	(39,540,723)	(21,297,295)
<u>\$ 6,225,611</u>	<u>\$ 19,203,445</u>	<u>\$ (41,266,288)</u>	<u>\$ (22,062,843)</u>

**WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Net Change in Fund Balances - Governmental Funds	\$ 960,017
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	46,859
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	690
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(783,957)
Governmental funds report developer reimbursements as expenditures in the period reimbursed. However, in the Statement of Net Position, amounts due to developer are decreased or capital assets are increased and the Statement of Activities is not affected.	24,825,381
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	5,232,091
Governmental funds report bond discounts as other financing uses in the year paid and bond premiums as other financing sources in the year received. However, in the Statement of Net Position, the bond discounts and bond premiums as well as deferred charges are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	90,860
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	485,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(382,489)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(31,240,000)
Change in Net Position - Governmental Activities	<u>\$ (765,548)</u>

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. CREATION OF DISTRICT

Waller County Road Improvement District No. 1 located in Waller County, Texas (the “District”) was created on June 20, 2003 by an act of the 78th Legislative Session and operates under Article III, Sections 52 and 52a and Article XVI, Section 59 of the Texas Constitution, Chapters 257 and 441 Transportation Code Chapter 375 Local Government Code and Chapters 49 and 54 of the Water Code. Creation of the District was confirmed by an election held within the District on November 7, 2006.

The District was created to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety and the public welfare in the area of the District. Pursuant to the provisions of Chapter 441 of the Texas Transportation Code, the District is empowered to construct, acquire, improve, and provide financing for road facilities within the area of the District. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is further authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts.

The Board of Directors held its first meeting on April 20, 2004, and closed on its first bond sale on February 24, 2011.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for financial resources restricted, committed or assigned for servicing bond debt.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2023 tax levy collections during the period October 1, 2023, to December 31, 2024, and taxes collected from January 1, 2024, to December 31, 2024, for the 2022 and prior tax levies. The 2024 tax levy has been fully deferred to meet the cost of operations for the 2025 fiscal year.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2024, the Debt Service Fund owes the General Fund \$1,931,948 for maintenance taxes and the Capital Project Fund owes the General Fund \$833,949 for engineering and bond issuance costs.

Capital Assets

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

As road, street or bridge infrastructure assets are constructed or acquired they are conveyed to Waller County, Texas for maintenance.

Assets are capitalized, including information assets, if they have an original cost of \$5,000 or more and a useful life over three years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2019	Refunding Series 2019A	Series 2020	Road Series 2021
Amount Outstanding – December 31, 2024	\$ 3,160,000	\$ 3,475,000	\$ 3,750,000	\$ 6,450,000
Interest Rates	2.30% - 3.375%	2.30% - 3.25%	3.00% - 3.625%	1.40% - 3.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2025/2048	March 1, 2025/2038	March 1, 2025/2050	March 1, 2025/2050
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025*	March 1, 2025*	March 1, 2026*	March 1, 2026*
	Series 2022	Series 2022A	Road Series 2022B	Series 2023
Amount Outstanding – December 31, 2024	\$ 9,500,000	\$ 13,840,000	\$ 4,140,000	\$ 8,825,000
Interest Rates	2.00% - 3.00%	4.00% - 5.25%	4.375% - 6.00%	4.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2026/2050	March 1, 2027/2050	March 1, 2025/2050	March 1, 2026/2050
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2027*	March 1, 2028*	March 1, 2027*	March 1, 2027*

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2024</u>	<u>Series 2024A</u>
Amount Outstanding – December 31, 2024	\$ 15,800,000	\$ 15,440,000
Interest Rates	4.00% - 6.00%	4.00% - 6.50%
Maturity Dates – Serially Beginning/Ending	March 1, 2026/2053	March 1, 2027/2054
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2029*	March 1, 2029*

* Or any date thereafter, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2019 term bonds maturing March 1, 2032, 2038, 2040, 2042, 2044, and 2048, are subject to mandatory redemption beginning March 1, 2031, 2037, 2039, 2041, 2043, and 2045, respectively. Series 2019A Refunding term bonds maturing March 1, 2038 are subject to mandatory redemption beginning March 1, 2036. Series 2020 term bonds maturing March 1, 2033, 2035, 2037, 2039, 2042, 2045, and 2050, are subject to mandatory redemption beginning March 1, 2031, 2034, 2036, 2038, 2040, 2043 and 2046, respectively. Series 2021 term bonds maturing March 1, 2042, 2046, and 2050, are subject to mandatory redemption beginning March 1, 2040, 2043, and 2047, respectively. Series 2022 term bonds maturing March 1, 2037, 2041, and 2050, are subject to mandatory redemption beginning March 1, 2035, 2038, and 2042, respectively. Series 2022A term bonds maturing March 1, 2034, 2038, 2040, 2042, 2044, 2047, and 2050, are subject to mandatory redemption beginning March 1, 2033, 2036, 2039, 2041, 2043, 2045 and 2048, respectively. Series 2022B term bonds maturing March 1, 2029, 2035, 2042 and 2050, are subject to mandatory redemption beginning March 1, 2028, 2030, 2036 and 2043, respectively. Series 2023 term bonds maturing March 1, 2043 and 2050, are subject to mandatory redemption beginning March 1, 2041 and 2044, respectively. Series 2024 term bonds maturing March 1, 2035, 2037, 2039, 2041, 2043, 2046, 2049 and 2053, are subject to mandatory redemption beginning March 1, 2034, 2036, 2038, 2040, 2042, 2044, 2047 and 2050, respectively.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended December 31, 2024:

	January 1, 2024	Additions	Retirements	December 31, 2024
Bonds Payable	\$ 53,625,000	\$ 31,240,000	\$ 485,000	\$ 84,380,000
Unamortized Premium	28,082	539,158	12,573	554,667
Unamortized Discounts	(259,527)	(652,187)	(22,524)	(889,190)
Total Long-Term Liabilities	<u>\$ 53,393,555</u>	<u>\$ 31,126,971</u>	<u>\$ 475,049</u>	<u>\$ 84,045,477</u>
		Amount Due Within One Year		\$ 580,000
		Amount Due After One Year		<u>83,465,477</u>
		Total Long-Term Liabilities		<u>\$ 84,045,477</u>

As of December 31, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 580,000	\$ 3,386,682	\$ 3,966,682
2026	1,255,000	3,412,919	4,667,919
2027	2,015,000	3,351,757	5,366,757
2028	2,080,000	3,269,553	5,349,553
2029	2,195,000	3,183,756	5,378,756
2030-2034	12,330,000	14,520,834	26,850,834
2035-2039	14,840,000	11,768,135	26,608,135
2040-2044	16,940,000	8,561,398	25,501,398
2045-2049	20,885,000	4,595,466	25,480,466
2050-2054	11,260,000	851,094	12,111,094
	<u>\$ 84,380,000</u>	<u>\$ 56,901,594</u>	<u>\$ 141,281,594</u>

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

As of December 31, 2024, the District had authorized but unissued bonds in the amount of \$81,956,107 for utility tax bonds, \$235,346,660 for utility refunding bonds, \$60,191,315 for road bonds and \$106,396,972 for refunding road bonds.

During the year ended December 31, 2024, the District levied an ad valorem debt service tax at the rate of \$0.33 per \$100 of assessed valuation and road debt service tax at the rate of \$0.08 per \$100 of assessed valuation, which resulted in a tax levy of \$3,704,771 on the adjusted taxable valuation of \$903,602,820 for the 2024 tax year. The Bond Orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The Bond Orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,225,778 and the bank balance was \$2,376,103. Of the bank balance, \$453,175 was insured by Federal Deposit Insurance and the remaining was covered by collateral held by a third party in the District's name.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 46,854
DEBT SERVICE FUND	2,172,928
CAPITAL PROJECTS FUND	<u>5,996</u>
TOTAL DEPOSITS	<u>\$ 2,225,778</u>

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of December 31, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 10,517,481	\$ 10,517,481
<u>DEBT SERVICE FUND</u>		
TexPool	1,792,584	1,792,584
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>7,566,452</u>	<u>7,566,452</u>
TOTAL INVESTMENTS	<u>\$ 19,876,517</u>	<u>\$ 19,876,517</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2024, the District’s investment in TexPool was rated AAAm by Standard and Poor’s and the District’s investment in Texas CLASS was rated AAAm by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool and Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year end December 31, 2024:

	January 1, 2024	Increases	Decreases	December 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,380,603	\$ 16,945,262	\$	\$ 19,325,865
Construction in Progress	4,230,595	5,232,091	411,971	9,050,715
Total Capital Assets Not Being Depreciated	<u>\$ 6,611,198</u>	<u>\$ 22,177,353</u>	<u>\$ 411,971</u>	<u>\$ 28,376,580</u>
Capital Assets Subject to Depreciation				
Water System	\$ 6,220,479	\$ 411,971	\$ 62,975	\$ 6,569,475
Wastewater System	6,098,556	183,005	128,228	6,153,333
Drainage System	18,807,367	2,000,386	192,990	20,614,763
Total Capital Assets Subject to Depreciation	<u>\$ 31,126,402</u>	<u>\$ 2,595,362</u>	<u>\$ 384,193</u>	<u>\$ 33,337,571</u>
Less Accumulated Depreciation				
Water System	\$ 1,613,727	\$ 182,514	\$	\$ 1,796,241
Wastewater System	1,080,625	153,601		1,234,226
Drainage System	1,448,155	447,842		1,895,997
Total Accumulated Depreciation	<u>\$ 4,142,507</u>	<u>\$ 783,957</u>	<u>\$ - 0 -</u>	<u>\$ 4,926,464</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 26,983,895</u>	<u>\$ 1,811,405</u>	<u>\$ 384,193</u>	<u>\$ 28,411,107</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 33,595,093</u></u>	<u><u>\$ 23,988,758</u></u>	<u><u>\$ 796,164</u></u>	<u><u>\$ 56,787,687</u></u>

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.59 per \$100 of assessed valuation which resulted in a tax levy of \$5,331,257 on the adjusted taxable valuation of \$903,602,820 for the 2024 tax year. This maintenance tax is deposited to the General Fund and used to pay expenditures of operating the District. Revenue from the 2024 tax levy has been fully deferred to the 2025 fiscal year.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. UNREIMBURSED COSTS

The District and Developers within the District have executed certain developer reimbursement agreements and amendments (collectively the “Agreements”). The Agreements provide for the Developers to advance funds on behalf of the District for the construction of infrastructure assets in accordance with TCEQ rules. The Developers within the District have indicated that they have expended monies on behalf of the District for the construction of water, sewer, drainage, and roadway facilities that are expected to be acquired by the District in the future through the issuance of District bonds, subject, herein, to the development by each respective Developer of taxable improvements sufficient in value to support the debt service on bonds to be issued by the District. Of this amount, \$13,133,160 has been recorded in the Statement of Net Position as a due to developers for completed projects as of fiscal year-end, but are contingent upon future development and the issuance of bonds. The following table summarizes the current year activity related to unreimbursed developer costs:

Due to Developers, beginning of year	\$	19,214,081
Additions		18,744,460
Reimbursements		24,825,381
Due to Developers, end of year	\$	<u>13,133,160</u>

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds. The District also participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, public officials liability, pollution liability and workers compensation. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

In 2014, the District entered into two Strategic Partnership Agreements (“SPA#1” and “SPA#2”) with the City of Fulshear, Texas (“City”). The Agreements provide that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “LPA Phase I Area” and “LPA Phase II Area” for the limited purposes as outlined in the Agreements. During the fiscal year ending December 31, 2016, the District and the City entered into Strategic Partnership No. 3 (as amended, “SPA#3”) to include approximately 118 acres within the City for limited purposes. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

Under all three Strategic Partnership Agreements, taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The application of regulatory provisions is outlined in the Agreement. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of limited-purpose annexation. The City shall impose a Sales and Use Tax within the boundaries of the District upon the limited-purpose annexation. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items. The City agrees to pay to the District the agreed portion of all Sales and Use Tax revenues generated within the boundaries of the District that are reported on the monthly sales tax reports provided by the Comptroller and received by the City from the Comptroller after the date of the limited-purpose annexation. During the current fiscal year, the District recorded sales tax revenues in the amount of \$228,334.

NOTE 11. BOND SALES

On February 28, 2024, the District closed on the sale of its \$15,800,000 Unlimited Tax Bonds, Series 2024. Proceeds from the bonds were used to finance construction and engineering costs for 1) Kingsland Boulevard and Lift Stations No. 3 and 4 and 2) Detention Channel, Ross Perimeter Channel and Ross Detention Pond. Additional proceeds were used to pay capitalized interest and issuance costs of the bonds.

On October 10, 2024, the District closed on the sale of its \$15,440,000 Unlimited Tax Bonds, Series 2024A. Proceeds from the bonds were used to finance construction, engineering and land costs for Kingslanding Business Park I and II. Additional proceeds were used to pay capitalized interest and issuance costs of the bonds.

NOTE 13. PENDING LITIGATION

The District is a party to four lawsuits. The "ML DEV Lawsuit", which is again active in the 506th Judicial District Court, Waller County, Texas. The "Ross Lawsuit", which is active in the 506th Judicial District Court, Waller County, Texas. The "Condemnation Lawsuit", which is on appeal. The "Federal Lawsuit", which is stayed and administratively closed. The District is represented in the lawsuits by the Houston firm of Parsons McEntire McCleary PLLC.

The ML DEV Lawsuit

The ML DEV Lawsuit arises from a written contract between the District and ML DEV (the "ML DEV Contract"). Under the ML DEV Contract, ML DEV agrees to perform development work specified in writing in the contract. In exchange, the District agrees to reimburse ML DEV for eligible costs paid by ML DEV. As a condition of payment, ML DEV must submit proof of such payments in compliance with the ML DEV Contract, the rules of the TCEQ and to the reasonable satisfaction of the District's attorneys.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 13. PENDING LITIGATION (Continued)

The ML DEV Lawsuit (Continued)

The ML DEV Lawsuit was filed in 2019. ML DEV claimed a proviso in the contract restricts the District's freedom to contract with other developers. At the time, ML DEV only sought a declaratory judgment but no damages. The District filed an answer consisting of a general denial and affirmative defenses. ML DEV filed a motion for summary judgment against the District on ML DEV's claim regarding the contractual proviso. The District opposed the motion, and the Court denied ML DEV's motion.

Until recently, the ML DEV Lawsuit was dormant, discovery had been stayed, and the case was subject to dismissal for want of prosecution. However, when the District Court provided notice of intent to dismiss for want of prosecution, ML DEV moved the Court to retain the case. The Court granted the motion. Thereafter, the District filed two motions: to lift the stay on discovery in the ML DEV Lawsuit and to consolidate the ML DEV Lawsuit with the related Ross Lawsuit, discussed below. The Court granted the motions, and discovery is now proceeding again in the ML Dev lawsuit.

On January 10, 2024, ML DEV filed a First Amended Petition in the ML DEV Lawsuit. The First Amended Petition added additional parties as plaintiffs: Blimp Base Project, LP ("Blimp Base"); Dixie Farm Partners, LLP ("Dixie"); Beamer Road Partners, LLP ("Beamer") and Elyson Two, LP ("Elyson"). (collectively, the "New Plaintiffs"). ML DEV and the New Plaintiffs are referred to collectively hereafter as "Plaintiffs". The New Plaintiffs allege they have written contracts with the District obligating the District to reimburse them. Notably, the First Amended Petition does not attach any such alleged contracts, and the District denies the allegation. Alternatively, Blimp Base, Dixie and Beamer allege they are third party beneficiaries of an alleged contract between the District and Waller County, obligating the District to reimburse them for the so-called I-10 interchange project. Here again, the First Amended Petition does not attach the alleged contracts. The First Amended Petition alleges the District is obligated to reimburse Plaintiffs in excess of \$7 million for various alleged projects. The District denies the allegations. The District has asserted multiple defenses to Plaintiffs' claims in the ML DEV Lawsuit. Among such defenses is a Plea to the Jurisdiction, by which the District asserts the Court has no jurisdiction over the claims of Blimp Base, Dixie, Beamer and Elyson. The Court conducted a hearing on the Plea to the Jurisdiction on April 25, 2024, granted the Plea, and dismissed all claims of Blimp Base, Dixie, Beamer and Elyson for lack of jurisdiction. The New Plaintiffs have appealed. The District will vigorously oppose the appeal. Oral arguments have been heard in the Court of Appeals, and the parties are awaiting an opinion. Recently, the New Plaintiffs filed a petition for mandamus against the Court's grant of Ross' motion, severing the New Plaintiffs from the ML DEV case. Ross had indicated it will oppose the mandamus.

The District is vigorously defending itself from the remaining claims of ML DEV. Among the issues is the amount, if any, owed to ML DEV. ML DEV has been withholding evidence of the cost of about 25 acres it alleges the District owes ML DEV reimbursement. The Court just

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 13. PENDING LITIGATION (Continued)

The ML DEV Lawsuit (Continued)

granted the District's motion to compel, ordering ML DEV to produce such evidence in September 2024. Moreover, the District has asserted counterclaims and third party claims against ML Dev and its affiliates. The District's affirmative claims total more than \$5.0 million in actual damages, plus exemplary damages, and they are alleged as credits and offsets against Plaintiff's claims.

The District cannot predict the time required to resolve the litigation, its outcome, a potential settlement, or the financial impact, if any, upon the District.

The Ross Lawsuit

The Ross Lawsuit has been consolidated into the ML Dev Lawsuit. It concerns a dispute regarding whether a public easement exists for the extension within the District of Kingsland Boulevard and related facilities (the "Kingsland Easement"). ML DEV, Louis Tsakiris ("Tsakiris"), Mike Magness ("Magness") and the Tsakiris Partnerships are principal defendants in Ross's claims and the District's claims regarding the Kingsland Easement.

In 2009, Waller County entered into an amendment of a Roadway Agreement between the County and ML DEV and other developers (the "Developers"). The Developers are owned, managed and/or controlled by Tsakiris and Magness. Under the amended Roadway Agreement, the Developers offered to dedicate the Kingsland Easement to the County and the County accepted the dedication the same day. The agreement and acceptance have long been filed of public record in Waller County. In 2018, Ross began negotiating with Tsakiris, Magness and ML DEV to purchase about 200 acres adjacent to the planned extension of Kingsland Boulevard. The Ross purchase agreement contains an exhibit depicting the extension of Kingsland Boulevard. In 2018 and 2019, Tsakiris and Magness repeatedly represented to the District, in writing, that the Kingsland Easement had been dedicated to the public and should further easement be needed the landowners would provide it. In reliance upon such representations, and the publicly filed Roadway Agreement, in April 2019, the District entered into an agreement with Ross to construct the extension of Kingsland Boulevard at District cost. In 2020, when the District was ready to commence construction of Kingsland, the Tsakiris Partnerships, who then held title to the property, claimed there was no easement, refused to sign a plat for the roadway and insisted the District would need to pay millions of dollars for an easement.

The Ross Lawsuit followed. Ross sued Tsakiris, Magness, ML DEV, the Tsakiris Partnerships, and other affiliates (collectively, the "Tsakiris Defendants") for fraud and actual damages resulting from delay in the construction of Kingsland Boulevard. The District also sued the Tsakiris Defendants for fraud and actual damages in excess of \$5.0 million. Although Ross initially sued the District, it later dropped all claims against the District. The Ross Lawsuit was stayed by an interlocutory appeal of a trial court decision against the Tsakiris Defendants.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 13. PENDING LITIGATION (Continued)

The Ross Lawsuit (Continued)

The trial court was affirmed on appeal, the Supreme Court denied review, and the case has returned to the trial court for further proceedings. Upon remand, the District Court awarded Ross attorneys' fees for the defendants' filing of frivolous TCPA claims. With the stay lifted on the case, Ross and the District have commenced discovery against the Tsakiris Defendants.

The District can make no predictions regarding the time required to resolve the litigation, its outcome, a potential settlement, or the financial impact, if any, upon the District.

The Condemnation Lawsuit

When the District could not gain access for construction of Kingsland Boulevard and utilities to serve the Ross project, it brought the Condemnation Lawsuit against the Tsakiris Partnerships to obtain access to the Kingsland Easement by condemnation.

On October 7, 2022, the Court granted the District's Motion for Summary Judgment against the Tsakiris Partnerships. A Final Judgment was signed and entered by the Court on October 25, 2022. The Final Judgment provides, in pertinent part, that (i) the easement for Kingsland Blvd. exists as a public right-of-way by express dedication and by estoppel, (ii) the action to condemn the easement is granted and possession of the Kingsland Easement is granted to the District, (iii) the Tsakiris Partnerships were awarded no compensation for condemnation because the Kingsland Easement already existed, and (iv) the Clerk of the County Court was directed to refund the condemnation award of \$1,333,020 to the District and the District Clerk complied.

On November 11, 2022, Defendants filed a Notice of Appeal with the First Court of Appeals, Harris County, Texas. All briefings have been submitted to the Court of Appeals and are awaiting action from the Court.

The District can make no predictions regarding the outcome of the Appeal. It could take a year or more for the Court of Appeals to issue its decision.

The Federal Lawsuit

On May 18, 2021, the Tsakiris Partnerships filed a lawsuit ("Federal Lawsuit") in the United States District Court for the Southern District of Texas naming the District and Ross as defendants. The Original Complaint alleged the District failed to pay just compensation for condemnation of the Kingsland Easement, thereby allegedly violating the United States Constitution. The District filed a motion to dismiss or to stay the lawsuit.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 13. PENDING LITIGATION (Continued)

The Federal Lawsuit (Continued)

The federal court agreed with the District and granted the motion to stay the Federal Lawsuit, pending final adjudication of the Condemnation and Ross Lawsuits. The Federal Lawsuit has been administratively closed and will only resume upon request after conclusion of the Condemnation and Ross Lawsuits.

NOTE 14. SUBSEQUENT EVENT

On April 17, 2025, the District plans to close on the sale of its \$11,270,000 Unlimited Tax Bonds, Series 2025. Proceeds from the bonds will be used to reimburse the developer for construction, engineering and land costs related to Kingsland Ranch Logistics Park Mass Grading, Public Detention Pond I-10 West Addition, and Public Detention Pond – Kingslanding Business Park I. The bonds have interest rates ranging from 4.00% to 6.50% and have a final maturity date in 2054.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 5,250,981	\$ 5,311,556	\$ 60,575
Water Service	195,000	258,159	63,159
Wastewater Service	219,000	243,556	24,556
Penalty and Interest	6,000	15,174	9,174
Tap Connection and Inspection Fees	106,200	439,073	332,873
Investment Revenues	300,000	560,892	260,892
Sales Tax Revenues	234,000	228,334	(5,666)
Miscellaneous Revenues	66,700	19,404	(47,296)
TOTAL REVENUES	<u>\$ 6,377,881</u>	<u>\$ 7,076,148</u>	<u>\$ 698,267</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 578,760	\$ 849,541	\$ (270,781)
Contracted Services	171,193	192,408	(21,215)
Purchased Water Service	13,000		13,000
Utilities	54,900	55,189	(289)
Repairs and Maintenance	410,148	633,145	(222,997)
Other	250,700	414,375	(163,675)
Capital Outlay		80,691	(80,691)
TOTAL EXPENDITURES	<u>\$ 1,478,701</u>	<u>\$ 2,225,349</u>	<u>\$ (746,648)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,899,180</u>	<u>\$ 4,850,799</u>	<u>\$ (48,381)</u>
FUND BALANCE - JANUARY 1, 2024	<u>7,041,060</u>	<u>7,041,060</u>	
FUND BALANCE - DECEMBER 31, 2024	<u>\$ 11,940,240</u>	<u>\$ 11,891,859</u>	<u>\$ (48,381)</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2024

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>466</u>	<u>466</u>	x 1.0	<u>466</u>
1"	<u>1</u>	<u>1</u>	x 2.5	<u>2.5</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>16</u>	<u>16</u>	x 8.0	<u>128</u>
3"			x 15.0	
4"			x 25.0	
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>489</u>	<u>489</u>		<u>901.5</u>
Total Wastewater Connections	<u>489</u>	<u>489</u>	x 1.0	<u>489</u>

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

Gallons pumped into system:	71,110,000	Water Accountability Ratio: 95.8% (Gallons billed and used for wastewater treatment plant/Gallons pumped)
Gallons billed to customers:	70,547,000	
Gallons purchased:	2,561,000	From: Fort Bend County MUD No. 213

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Waller County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Fulshear, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2024

PROFESSIONAL FEES:

Auditing	\$ 15,250
Engineering	269,561
Legal	562,930
Financial Advisor	1,800

TOTAL PROFESSIONAL FEES	<u>\$ 849,541</u>
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CONTRACTED SERVICES:

Bookkeeping	\$ 30,873
Operations and Billing	37,182
Solid Waste Disposal	124,353

TOTAL CONTRACTED SERVICES	<u>\$ 192,408</u>
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UTILITIES:

Electricity	\$ 46,460
Telephone	8,729

TOTAL UTILITIES	<u>\$ 55,189</u>
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REPAIRS AND MAINTENANCE	<u>\$ 633,145</u>
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ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 11,271
Insurance	34,415
Office Supplies and Postage	19,366
Payroll Taxes	862
Payroll Administration	2,803
Travel and Meetings	2,422
Other	34,954

TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 106,093</u>
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CAPITAL OUTLAY	<u>\$ 80,691</u>
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TAP CONNECTIONS	<u>\$ 133,345</u>
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OTHER EXPENDITURES:

Chemicals	\$ 82,681
Laboratory Fees	20,334
Permit Fees	3,220
Reconnection Fees	9,030
Inspection Fees	8,181
Regulatory Assessment	14,900
Sludge Hauling	36,591

TOTAL OTHER EXPENDITURES	<u>\$ 174,937</u>
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TOTAL EXPENDITURES	<u><u>\$ 2,225,349</u></u>
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See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
DECEMBER 31, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXXXXX0002	Varies	Daily	\$ 10,517,481	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXXXXX0003	Varies	Daily	\$ 845,161	\$
TexPool	XXXXXXX0005	Varies	Daily	947,423	
TOTAL DEBT SERVICE FUND				\$ 1,792,584	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXXXXX0002	Varies	Daily	\$ 823,799	\$
TexPool	XXXXXXX0004	Varies	Daily	953,497	
TexPool	XXXXXXX0006	Varies	Daily	1,796,983	
TexPool	XXXXXXX0007	Varies	Daily	3,029,760	
TexPool	XXXXXXX0008	Varies	Daily	452,842	
TexPool	XXXXXXX0009	Varies	Daily	509,571	
TOTAL CAPITAL PROJECTS FUND				\$ 7,566,452	\$ -0-
TOTAL - ALL FUNDS				\$ 19,876,517	\$ -0-

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2024	\$ 4,313,040		\$ 1,889,809	
Adjustments to Beginning				
Balance	<u>36,383</u>	\$ 4,349,423	<u>11,081</u>	\$ 1,900,890
Original 2024 Tax Levy	\$ 5,328,109		\$ 3,702,583	
Adjustment to 2024 Tax Levy	<u>3,148</u>	<u>5,331,257</u>	<u>2,188</u>	<u>3,704,771</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 9,680,680		\$ 5,605,661
TAX COLLECTIONS:				
Prior Years	\$ 4,308,723		\$ 1,887,670	
Current Year	<u>1,285,056</u>	<u>5,593,779</u>	<u>893,004</u>	<u>2,780,674</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2024		<u>\$ 4,086,901</u>		<u>\$ 2,824,987</u>
TAXES RECEIVABLE BY				
YEAR:				
2024		\$ 4,046,201		\$ 2,811,767
2023		5,927		2,599
2022		19,100		5,457
2021		<u>15,673</u>		<u>5,164</u>
TOTAL		<u>\$ 4,086,901</u>		<u>\$ 2,824,987</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 167,682,696	\$ 164,943,832	\$ 171,634,670	\$ 106,069,446
Improvements	575,911,310	480,074,771	435,135,386	241,459,903
Personal Property	218,492,323	150,702,590	31,912,109	21,450,326
Exemptions	<u>(58,483,509)</u>	<u>(68,271,799)</u>	<u>(46,324,138)</u>	<u>(64,604,791)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 903,602,820</u>	<u>\$ 727,449,394</u>	<u>\$ 592,358,027</u>	<u>\$ 304,374,884</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.33	\$ 0.28	\$ 0.21	\$ 0.29
Road Debt Service	0.08	0.04	0.05	
Maintenance	<u>0.59</u>	<u>0.73</u>	<u>0.91</u>	<u>0.88</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00</u>	<u>\$ 1.05</u>	<u>\$ 1.17</u>	<u>\$ 1.17</u>
ADJUSTED TAX LEVY*	<u>\$ 9,036,028</u>	<u>\$ 7,638,219</u>	<u>\$ 6,930,589</u>	<u>\$ 3,561,186</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>24.10 %</u>	<u>99.89 %</u>	<u>99.65 %</u>	<u>99.41 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 6, 2007.

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 1 9			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$ 75,000	\$ 98,074	\$ 173,074
2026	75,000	96,312	171,312
2027	75,000	94,474	169,474
2028	75,000	92,563	167,563
2029	100,000	90,238	190,238
2030	100,000	87,488	187,488
2031	100,000	84,588	184,588
2032	100,000	81,587	181,587
2033	100,000	78,587	178,587
2034	100,000	75,588	175,588
2035	125,000	72,134	197,134
2036	125,000	68,228	193,228
2037	125,000	64,243	189,243
2038	150,000	59,775	209,775
2039	150,000	54,900	204,900
2040	150,000	50,025	200,025
2041	150,000	45,150	195,150
2042	175,000	39,869	214,869
2043	175,000	34,181	209,181
2044	175,000	28,494	203,494
2045	175,000	22,697	197,697
2046	185,000	16,622	201,622
2047	200,000	10,125	210,125
2048	200,000	3,375	203,375
2049			
2050			
2051			
2052			
2053			
2054			
	<u>\$ 3,160,000</u>	<u>\$ 1,449,317</u>	<u>\$ 4,609,317</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 1 9 A R E F U N D I N G				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2025	\$ 205,000	\$ 99,240	\$	304,240
2026	200,000	94,482		294,482
2027	215,000	89,395		304,395
2028	210,000	83,977		293,977
2029	230,000	78,143		308,143
2030	220,000	71,958		291,958
2031	235,000	65,470		300,470
2032	250,000	58,312		308,312
2033	265,000	50,587		315,587
2034	280,000	42,237		322,237
2035	265,000	33,556		298,556
2036	300,000	24,375		324,375
2037	310,000	14,462		324,462
2038	290,000	4,712		294,712
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				
	<u>\$ 3,475,000</u>	<u>\$ 810,906</u>	<u>\$</u>	<u>4,285,906</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 0				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2025	\$ 75,000	\$ 124,687	\$	199,687
2026	75,000	122,437		197,437
2027	75,000	120,187		195,187
2028	100,000	117,562		217,562
2029	100,000	114,562		214,562
2030	100,000	111,562		211,562
2031	100,000	108,562		208,562
2032	100,000	105,562		205,562
2033	125,000	102,187		227,187
2034	125,000	98,437		223,437
2035	125,000	94,687		219,687
2036	125,000	90,859		215,859
2037	125,000	86,953		211,953
2038	150,000	82,469		232,469
2039	150,000	77,407		227,407
2040	150,000	72,251		222,251
2041	150,000	67,001		217,001
2042	175,000	61,313		236,313
2043	175,000	55,188		230,188
2044	175,000	49,063		224,063
2045	175,000	42,938		217,938
2046	200,000	36,251		236,251
2047	210,000	28,819		238,819
2048	230,000	20,844		250,844
2049	230,000	12,507		242,507
2050	230,000	4,169		234,169
2051				
2052				
2053				
2054				
	<u>\$ 3,750,000</u>	<u>\$ 2,008,464</u>	<u>\$</u>	<u>5,758,464</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 1 R O A D				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2025	\$ 150,000	\$ 170,138	\$	320,138
2026	150,000	167,963		317,963
2027	175,000	165,350		340,350
2028	175,000	162,244		337,244
2029	175,000	158,875		333,875
2030	200,000	155,125		355,125
2031	200,000	151,000		351,000
2032	200,000	146,625		346,625
2033	225,000	141,703		366,703
2034	225,000	136,219		361,219
2035	225,000	130,594		355,594
2036	225,000	124,828		349,828
2037	250,000	118,438		368,438
2038	250,000	111,563		361,563
2039	250,000	104,688		354,688
2040	250,000	97,500		347,500
2041	275,000	89,625		364,625
2042	275,000	81,375		356,375
2043	275,000	73,125		348,125
2044	300,000	64,500		364,500
2045	300,000	55,500		355,500
2046	300,000	46,500		346,500
2047	350,000	36,750		386,750
2048	350,000	26,250		376,250
2049	350,000	15,750		365,750
2050	350,000	5,250		355,250
2051				
2052				
2053				
2054				
	<u>\$ 6,450,000</u>	<u>\$ 2,737,478</u>	<u>\$</u>	<u>9,187,478</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$	\$ 273,062	\$ 273,062
2026	250,000	270,563	520,563
2027	250,000	265,563	515,563
2028	275,000	259,969	534,969
2029	300,000	253,313	553,313
2030	300,000	246,000	546,000
2031	300,000	238,500	538,500
2032	300,000	230,250	530,250
2033	325,000	220,875	545,875
2034	325,000	211,125	536,125
2035	325,000	201,375	526,375
2036	350,000	191,250	541,250
2037	350,000	180,750	530,750
2038	375,000	169,875	544,875
2039	375,000	158,625	533,625
2040	400,000	147,000	547,000
2041	400,000	135,000	535,000
2042	425,000	122,625	547,625
2043	425,000	109,875	534,875
2044	450,000	96,750	546,750
2045	450,000	83,250	533,250
2046	475,000	69,375	544,375
2047	500,000	54,750	554,750
2048	500,000	39,750	539,750
2049	525,000	24,375	549,375
2050	550,000	8,250	558,250
2051			
2052			
2053			
2054			
	<u>\$ 9,500,000</u>	<u>\$ 4,262,095</u>	<u>\$ 13,762,095</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 2 A			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$	\$ 685,100	\$ 685,100
2026		685,100	685,100
2027	400,000	677,100	1,077,100
2028	400,000	661,100	1,061,100
2029	400,000	645,100	1,045,100
2030	425,000	628,600	1,053,600
2031	425,000	611,068	1,036,068
2032	450,000	591,912	1,041,912
2033	450,000	570,537	1,020,537
2034	475,000	547,412	1,022,412
2035	500,000	523,037	1,023,037
2036	525,000	497,412	1,022,412
2037	525,000	471,163	996,163
2038	550,000	444,288	994,288
2039	575,000	416,163	991,163
2040	600,000	386,788	986,788
2041	600,000	356,788	956,788
2042	625,000	326,163	951,163
2043	650,000	293,475	943,475
2044	675,000	258,694	933,694
2045	700,000	222,600	922,600
2046	725,000	185,194	910,194
2047	750,000	146,475	896,475
2048	775,000	106,444	881,444
2049	800,000	65,100	865,100
2050	840,000	22,050	862,050
2051			
2052			
2053			
2054			
	<u>\$ 13,840,000</u>	<u>\$ 11,024,863</u>	<u>\$ 24,864,863</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 2 B R O A D				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2025	\$ 75,000	\$ 238,415	\$	313,415
2026	75,000	235,087		310,087
2027	80,000	231,500		311,500
2028	85,000	227,475		312,475
2029	90,000	223,100		313,100
2030	95,000	218,238		313,238
2031	100,000	212,875		312,875
2032	105,000	207,238		312,238
2033	110,000	201,325		311,325
2034	115,000	195,138		310,138
2035	125,000	188,538		313,538
2036	130,000	181,200		311,200
2037	140,000	173,100		313,100
2038	145,000	164,550		309,550
2039	155,000	155,550		310,550
2040	165,000	145,950		310,950
2041	175,000	135,750		310,750
2042	185,000	124,950		309,950
2043	200,000	113,400		313,400
2044	210,000	101,100		311,100
2045	225,000	88,050		313,050
2046	240,000	74,100		314,100
2047	255,000	59,250		314,250
2048	270,000	43,500		313,500
2049	285,000	26,850		311,850
2050	305,000	9,150		314,150
2051				
2052				
2053				
2054				
	<u>\$ 4,140,000</u>	<u>\$ 3,975,379</u>	<u>\$</u>	<u>8,115,379</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 3			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$	\$ 415,375	\$ 415,375
2026	175,000	411,000	586,000
2027	200,000	401,625	601,625
2028	200,000	392,625	592,625
2029	200,000	384,625	584,625
2030	225,000	376,125	601,125
2031	225,000	367,125	592,125
2032	250,000	357,625	607,625
2033	250,000	347,625	597,625
2034	275,000	336,782	611,782
2035	275,000	325,094	600,094
2036	300,000	312,500	612,500
2037	300,000	298,813	598,813
2038	325,000	284,156	609,156
2039	350,000	268,125	618,125
2040	375,000	250,906	625,906
2041	375,000	233,093	608,093
2042	400,000	214,687	614,687
2043	425,000	195,094	620,094
2044	450,000	173,750	623,750
2045	475,000	150,625	625,625
2046	500,000	126,250	626,250
2047	525,000	100,625	625,625
2048	550,000	73,750	623,750
2049	575,000	45,625	620,625
2050	625,000	15,625	640,625
2051			
2052			
2053			
2054			
	<u>\$ 8,825,000</u>	<u>\$ 6,859,250</u>	<u>\$ 15,684,250</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 4			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$	\$ 691,250	\$ 691,250
2026	255,000	684,875	939,875
2027	270,000	670,400	940,400
2028	285,000	653,750	938,750
2029	300,000	636,200	936,200
2030	315,000	617,750	932,750
2031	330,000	598,400	928,400
2032	350,000	578,000	928,000
2033	370,000	558,250	928,250
2034	390,000	537,300	927,300
2035	410,000	513,300	923,300
2036	430,000	492,400	922,400
2037	455,000	474,700	929,700
2038	480,000	456,000	936,000
2039	505,000	436,300	941,300
2040	530,000	415,600	945,600
2041	560,000	393,800	953,800
2042	590,000	370,800	960,800
2043	620,000	346,600	966,600
2044	655,000	321,100	976,100
2045	690,000	294,200	984,200
2046	725,000	265,900	990,900
2047	765,000	236,100	1,001,100
2048	805,000	204,700	1,009,700
2049	845,000	171,700	1,016,700
2050	895,000	136,900	1,031,900
2051	940,000	100,200	1,040,200
2052	990,000	61,600	1,051,600
2053	1,045,000	20,900	1,065,900
2054			
	<u>\$ 15,800,000</u>	<u>\$ 11,938,975</u>	<u>\$ 27,738,975</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 4 A			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$	\$ 591,341	\$ 591,341
2026		645,100	645,100
2027	275,000	636,163	911,163
2028	275,000	618,288	893,288
2029	300,000	599,600	899,600
2030	300,000	582,350	882,350
2031	325,000	566,725	891,725
2032	350,000	551,600	901,600
2033	350,000	537,600	887,600
2034	375,000	523,100	898,100
2035	400,000	507,600	907,600
2036	400,000	491,600	891,600
2037	425,000	475,100	900,100
2038	450,000	457,600	907,600
2039	475,000	439,100	914,100
2040	500,000	419,600	919,600
2041	525,000	399,100	924,100
2042	550,000	377,600	927,600
2043	575,000	355,100	930,100
2044	600,000	331,600	931,600
2045	625,000	307,100	932,100
2046	675,000	281,100	956,100
2047	700,000	253,600	953,600
2048	725,000	225,100	950,100
2049	775,000	195,100	970,100
2050	800,000	163,600	963,600
2051	850,000	130,600	980,600
2052	915,000	95,300	1,010,300
2053	950,000	58,000	1,008,000
2054	975,000	19,500	994,500
	<u>\$ 15,440,000</u>	<u>\$ 11,834,867</u>	<u>\$ 27,274,867</u>

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 580,000	\$ 3,386,682	\$ 3,966,682
2026	1,255,000	3,412,919	4,667,919
2027	2,015,000	3,351,757	5,366,757
2028	2,080,000	3,269,553	5,349,553
2029	2,195,000	3,183,756	5,378,756
2030	2,280,000	3,095,196	5,375,196
2031	2,340,000	3,004,313	5,344,313
2032	2,455,000	2,908,711	5,363,711
2033	2,570,000	2,809,276	5,379,276
2034	2,685,000	2,703,338	5,388,338
2035	2,775,000	2,589,915	5,364,915
2036	2,910,000	2,474,652	5,384,652
2037	3,005,000	2,357,722	5,362,722
2038	3,165,000	2,234,988	5,399,988
2039	2,985,000	2,110,858	5,095,858
2040	3,120,000	1,985,620	5,105,620
2041	3,210,000	1,855,307	5,065,307
2042	3,400,000	1,719,382	5,119,382
2043	3,520,000	1,576,038	5,096,038
2044	3,690,000	1,425,051	5,115,051
2045	3,815,000	1,266,960	5,081,960
2046	4,025,000	1,101,292	5,126,292
2047	4,255,000	926,494	5,181,494
2048	4,405,000	743,713	5,148,713
2049	4,385,000	557,007	4,942,007
2050	4,595,000	364,994	4,959,994
2051	1,790,000	230,800	2,020,800
2052	1,905,000	156,900	2,061,900
2053	1,995,000	78,900	2,073,900
2054	975,000	19,500	994,500
	\$ 84,380,000	\$ 56,901,594	\$ 141,281,594

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2024

Description	Original Bonds Issued	Bonds Outstanding January 1, 2024
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2019	\$ 3,335,000	\$ 3,235,000
Waller County Road Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2019A	4,360,000	3,685,000
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2020	3,800,000	3,800,000
Waller County Road Improvement District No. 1 Unlimited Tax Road Bonds - Series 2021	6,600,000	6,600,000
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2022	9,500,000	9,500,000
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2022A	13,840,000	13,840,000
Waller County Road Improvement District No. 1 Unlimited Tax Road Bonds - Series 2022B	4,140,000	4,140,000
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2023	8,825,000	8,825,000
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2024	15,800,000	
Waller County Road Improvement District No. 1 Unlimited Tax Bonds - Series 2024A	15,440,000	
TOTAL	\$ 85,640,000	\$ 53,625,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2024	Paying Agent
	Principal	Interest		
\$	\$ 75,000	\$ 99,762	\$ 3,160,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	210,000	103,803	3,475,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	126,562	3,750,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	172,125	6,450,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		273,062	9,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		685,100	13,840,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		240,056	4,140,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		363,533	8,825,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
15,800,000		403,229	15,800,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
15,440,000			15,440,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
\$ 31,240,000	\$ 485,000	\$ 2,467,232	\$ 84,380,000	

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2024

Bond Authority:	<u>Utility Tax Bonds</u>	<u>Utility Refunding Bonds</u>	<u>Road Bonds</u>	<u>Road Refunding Bonds</u>
Amount Authorized by Voters	\$157,121,107	\$ 235,681,660	\$ 70,931,315	\$ 106,396,972
Amount Issued	<u>75,165,000</u>	<u>335,000</u>	<u>10,740,000</u>	<u></u>
Remaining to be Issued	<u>\$ 81,956,107</u>	<u>\$ 235,346,660</u>	<u>\$ 60,191,315</u>	<u>\$ 106,396,972</u>
Debt Service Fund cash and investment balances as of December 31, 2024:			\$ <u>3,965,512</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ <u>4,709,386</u>	

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 5,311,556	\$ 5,500,910	\$ 2,854,128
Water Service	258,159	248,999	161,952
Wastewater Service	243,556	244,165	193,156
Penalty and Interest	15,174	5,701	7,564
Tap Connection and Inspection Fees	439,073	191,420	406,210
Investment Revenues	560,892	392,781	42,849
Sales Tax Revenues	228,334	187,683	287,984
Miscellaneous Revenues	19,404	20,525	15,355
TOTAL REVENUES	<u>\$ 7,076,148</u>	<u>\$ 6,792,184</u>	<u>\$ 3,969,198</u>
EXPENDITURES			
Professional Fees	\$ 849,541	\$ 753,742	\$ 925,217
Contracted Services	192,408	160,698	133,160
Utilities	55,189	67,245	43,191
Repairs and Maintenance	633,145	503,845	320,185
Other	414,375	651,256	318,387
Developer Reimbursement		1,240,100	287,984
Capital Outlay	80,691	32,540	34,660
TOTAL EXPENDITURES	<u>\$ 2,225,349</u>	<u>\$ 3,409,426</u>	<u>\$ 2,062,784</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 4,850,799</u>	<u>\$ 3,382,758</u>	<u>\$ 1,906,414</u>
OTHER FINANCING SOURCES (USES)			
Condemnation Refund	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,332,970</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,850,799</u>	<u>\$ 3,382,758</u>	<u>\$ 3,239,384</u>
BEGINNING FUND BALANCE	<u>7,041,060</u>	<u>3,658,302</u>	<u>418,918</u>
ENDING FUND BALANCE	<u><u>\$ 11,891,859</u></u>	<u><u>\$ 7,041,060</u></u>	<u><u>\$ 3,658,302</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenue					
2021	2020	2024	2023	2022	2021	2020	
\$ 1,027,390	\$ 900,631	75.1 %	80.9 %	71.8 %	47.8 %	54.1 %	
115,730	85,895	3.7	3.7	4.1	5.4	5.2	
104,228	69,077	3.4	3.6	4.9	4.8	4.2	
3,875	797	0.2	0.1	0.2	0.2		
414,740	50,400	6.2	2.8	10.2	19.3	3.0	
748	8,839	7.9	5.8	1.1		0.5	
294,175	312,716	3.2	2.8	7.3	13.7	18.9	
189,244	235,204	0.3	0.3	0.4	8.8	14.1	
<u>\$ 2,150,130</u>	<u>\$ 1,663,559</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 611,194	\$ 515,750	12.0 %	11.0 %	23.2 %	28.4 %	31.0 %	
82,732	52,267	2.7	2.4	3.4	3.8	3.1	
39,329	32,777	0.8	1.0	1.1	1.8	2.0	
279,439	152,665	8.9	7.4	8.1	13.0	9.2	
327,476	122,606	5.9	9.6	8.0	15.2	7.4	
294,175	312,716		18.3	7.3	13.7	18.8	
1,333,020	53,373	1.1	0.5	0.9	62.0	3.2	
<u>\$ 2,967,365</u>	<u>1,242,154</u>	<u>31.4 %</u>	<u>50.2 %</u>	<u>52.0 %</u>	<u>137.9 %</u>	<u>74.7 %</u>	
<u>\$ (817,235)</u>	<u>421,405</u>	<u>68.6 %</u>	<u>49.8 %</u>	<u>48.0 %</u>	<u>(37.9) %</u>	<u>25.3 %</u>	
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>						
\$ (817,235)	\$ 421,405						
1,236,153	814,748						
<u>\$ 418,918</u>	<u>\$ 1,236,153</u>						

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 2,327,268	\$ 1,578,313	\$ 954,778
Penalty and Interest	58,866	17,745	14,266
Investment Revenues	106,017	94,420	22,327
Miscellaneous Revenues		20	
TOTAL REVENUES	<u>\$ 2,492,151</u>	<u>\$ 1,690,498</u>	<u>991,371</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 1,119,537	\$ 153,719	\$ 88,480
Debt Service Principal	485,000	240,000	240,000
Debt Service Interest and Fees	<u>2,473,532</u>	<u>1,873,177</u>	<u>748,505</u>
TOTAL EXPENDITURES	<u>\$ 4,078,069</u>	<u>\$ 2,266,896</u>	<u>1,076,985</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,585,918)</u>	<u>\$ (576,398)</u>	<u>(85,614)</u>
OTHER FINANCING SOURCES			
Long-Term Debt Issued	<u>\$ 1,336,350</u>	<u>\$ 383,888</u>	<u>\$ 939,075</u>
NET CHANGE IN FUND BALANCE	<u>\$ (249,568)</u>	<u>\$ (192,510)</u>	<u>\$ 853,461</u>
BEGINNING FUND BALANCE	<u>1,335,543</u>	<u>1,528,053</u>	<u>674,592</u>
ENDING FUND BALANCE	<u>\$ 1,085,975</u>	<u>\$ 1,335,543</u>	<u>\$ 1,528,053</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>489</u>	<u>480</u>	<u>428</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>489</u>	<u>480</u>	<u>419</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2021	2020	2024	2023	2022	2021	2020
\$ 475,547	\$ 582,731	93.3 %	93.4 %	96.3 %	98.6 %	90.9 %
6,479	55,679	2.4	1.0	1.4	1.3	8.7
246	2,713	4.3	5.6	2.3	0.1	0.4
	8					
482,272	641,131	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 52,935	\$ 49,721	44.8 %	9.1 %	8.9 %	11.0 %	7.8 %
195,000	200,000	19.5	14.2	24.2	40.4	31.2
396,427	185,089	99.3	110.8	75.5	82.2	28.9
644,362	434,810	163.6 %	134.1 %	108.6 %	133.6 %	67.9 %
(162,090)	206,321	(63.6) %	(34.1) %	(8.6) %	(33.6) %	32.1 %
\$ 173,062	\$ 127,312					
\$ 10,972	\$ 333,633					
663,620	329,987					
\$ 674,592	\$ 663,620					
315	171					
307	167					

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024

District Mailing Address - Waller County Road Improvement District No. 1
c/o Bacon, Wallace & Philbin, L.L.P.
6363 Woodway, Suite 800
Houston, TX 77057-1762

District Telephone Number - (713) 739-1060

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2024</u>	Expense Reimbursements for the year ended <u>December 31, 2024</u>	<u>Title</u>
Kevin Staloch	05/2024 – 05/2028 (Elected)	\$ 3,094	\$ 871	President
Robert Cortez	05/2022 – 05/2026 (Elected)	\$ 2,431	\$ 265	Vice President
Gary Griffith	10/2023 – 05/2026 (Appointed)	\$ 2,431	\$ 924	Secretary
A’Shunte Cashaw	08/2024 – 05/2028 (Appointed)	\$ 1,326	\$ 169	Assistant Secretary
Kristen Woods	05/2022 – 05/2026 (Elected)	\$ 1,547	\$ 150	Treasurer

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

Submission date of most recent District Registration Form: June 6, 2024

The Board has set limits on fees of office a director may receive in a fiscal year per TWC Section 49.060. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

WALLER COUNTY ROAD IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2024</u>	<u>Title</u>
Bacon, Wallace & Philbin, L.L.P.	04/22/15	\$ 141,829 \$ 16,431 \$ 793,340	General Counsel Litigation Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	03/10/09	\$ 15,250 \$ 32,000	Auditor Bond Related
McLennan & Associates, L.P.	10/03/06	\$ 35,891 \$ 7,815	Bookkeeper Bond Related
Ward, Getz & Associates, LLP	11/08/11	\$ 386,707 \$ 82,397	Engineer Bond/Surplus Related
The GMS Group, LLC	09/14/09	\$ 629,665	Financial Advisor
Sanford Kuhl Hagan Kugle Parker Kahn, LLP	08/20/21	\$ 20,450	Disclosure Counsel
Jorge Diaz	10/03/06	\$ -0-	Investment Officer
TNG Utility Corp.	03/15/09	\$ 800,477	Operator
BLICO, Inc.	10/23/08	\$ 31,291	Tax Assessor/ Collector
Parsons McEntire McCleary, PLLC	05/17/19	\$ 411,130	Litigation/ Projects

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)