

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS WILL NOT BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE—BOOK-ENTRY ONLY

CUSIP No. 41427Q

\$7,105,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 572

(A political subdivision of the State of Texas, located in Harris County, Texas)

UNLIMITED TAX BONDS

SERIES 2025A

Dated: December 1, 2025

Due: April 1 (as shown below)

Interest on the \$7,105,000 Unlimited Tax Bonds, Series 2025A (the "Bonds") will accrue from December 1, 2025, and will be payable on April 1 and October 1 of each year, commencing April 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 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 BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$145,000	2028	%	%	\$280,000	2041(b)	%	%
\$155,000	2029	%	%	\$295,000	2042(b)	%	%
\$160,000	2030	%	%	\$310,000	2043(b)	%	%
\$170,000	2031(b)	%	%	\$325,000	2044(b)	%	%
\$180,000	2032(b)	%	%	\$340,000	2045(b)	%	%
\$190,000	2033(b)	%	%	\$360,000	2046(b)	%	%
\$195,000	2034(b)	%	%	\$380,000	2047(b)	%	%
\$205,000	2035(b)	%	%	\$400,000	2048(b)	%	%
\$220,000	2036(b)	%	%	\$420,000	2049(b)	%	%
\$230,000	2037(b)	%	%	\$440,000	2050(b)	%	%
\$240,000	2038(b)	%	%	\$460,000	2051(b)	%	%
\$255,000	2039(b)	%	%	\$485,000	2052(b)	%	%
\$265,000	2040(b)	%	%				

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed. Accrued interest is to be added to the price.
- (b) The Bonds maturing on or after April 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 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. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/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 Harris County Municipal Utility District No. 572 (the "District") to: (1) reimburse certain of the Developers (hereinafter defined) for costs associated with certain detention and drainage facilities serving Rose Hill Town Center located within the District and associated engineering, surveying, materials testing, and stormwater permit costs; (2) fund land acquisition costs associated with certain detention facilities serving the Ellerden subdivision located within the District; (3) fund water and wastewater capacity fees; (4) fund developer interest related to the advancement of funds for certain costs; (5) fund 12 months of capitalized interest on the Bonds; (6) reimburse the Developer for operating advances to the District; and (7) pay administrative costs and issuance expenses associated with the sale and delivery of 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 – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston 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," including a high concentration of ownership of taxable value in the District.**

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 Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 19, 2025.

Bids Due: Monday, December 1, 2025 at 10:00 A.M. Houston Time
Bid Award: Monday, December 1, 2025 at 11:30 A.M. Houston Time

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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, as amended ("Rule 15c2-12" or 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 Rule 15c2-12.

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

This Official Statement is not to be used in 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.

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter (hereinafter defined). See "OFFICIAL STATEMENT – Updating of Official Statement."

References to website 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 websites 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 Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the 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 number 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 and has no control over trading of the Bonds after their initial sale by the District. 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 EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12

In the resolution adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Bond Resolution"), 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 material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt"), "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide certain updated information and operating data to the MSRB or any successor to its functions as a repository through its EMMA system.

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 each 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 Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via 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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and

“financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB via EMMA. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, 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

The Bonds represent the second series of bonds to be issued by the District. The District entered into its first continuing disclosure agreement in connection with its Unlimited Tax Bonds, Series 2025. The District is in compliance in all material respects with its previous continuing disclosure agreement made in accordance with the Rule.

NO MUNICIPAL BOND RATING

In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made.

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 and any associated insured rating fee 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 AG and BAM 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 \$7,105,000 Unlimited Tax Bonds, Series 2025A (the "Bonds"), are dated and will bear interest from December 1, 2025. The Bonds represent the second series of bonds to be issued by Harris County Municipal Utility District No. 572 (the "District"). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District. See "THE BONDS."
Source of Payment:	The Bonds are payable from a continuing direct annual ad valorem tax levied against 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, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
Redemption Provisions:	The Bonds maturing on or after April 1, 2031, are subject to early redemption, in whole or from time to time in part, on April 1, 2030, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."
Book-Entry-Only System:	The 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, 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."
Use of Proceeds:	Proceeds from the sale of the Bonds will be used to: (1) reimburse certain of the Developers (hereinafter defined) for costs associated with certain detention and drainage facilities serving Rose Hill Town Center located within the District and associated engineering, surveying, materials testing, and stormwater permit costs; (2) fund land acquisition costs associated with certain detention facilities serving the Ellerden subdivision located within the District; (3) fund water and wastewater capacity fees; (4) fund developer interest related to the advancement of funds for certain costs; (5) fund 12 months of capitalized interest on the Bonds; (6) reimburse the Developer for operating advances to the District; and (7) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."
Payment Record:	The District has previously issued one (1) series of unlimited tax bonds for water, wastewater, and drainage facilities, of which \$3,660,000 principal amount was outstanding as of October 1, 2025 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
Risk Factors:	The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
NOT Qualified Tax-Exempt Obligations:	The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions.
No Municipal Bond Rating:	In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made. See "NO MUNICIPAL BOND RATING."
Bond Insurance:	The District has applied to AG and 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 and any associated insured rating fee must be paid for by the Underwriter. Information relative to the cost of the insurance premium will be available from AG and BAM on the day of the sale. See "BOND INSURANCE."

Legal Opinion: Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”

Paying Agent/Registrar: BOKF, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

THE DISTRICT

Description: The District is a municipal utility district created on June 9, 2019, with the passage of House Bill 4692 in the 86th Texas Legislative Session (codified as Chapter 8026, Texas Special District Local Laws Code). The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. 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. Additionally, the District is empowered to purchase, construct, operate, and maintain roads and parks and recreational facilities. See “THE DISTRICT – Authority.”

Location: The District, as it was originally created, included approximately 55 acres. Since its creation, the District has had two (2) annexations in 2022 and 2024, and the District currently includes approximately 221 acres. The District is located in northwestern Harris County, Texas and consists of three (3) noncontiguous tracts of land that are generally located approximately 22 miles northwest of the central business district of the City of Houston, Texas (the “City”), approximately five (5) miles west of the central business district of the City of Tomball, Texas, approximately seven (7) miles south of the central business district of the City of Pinehurst, Texas, and approximately 14 miles east of the central business district of the City of Waller, Texas. The District is situated entirely within the extraterritorial jurisdiction of the City. See “THE DISTRICT – Description and Location” and “– Vicinity Map.”

Development of the District: The District is being developed for single-family residential, multi-family, and commercial purposes. The single-family residential development within the District includes the subdivisions known as Ellerden and Oakhill Reserve. Homebuilding in the District has taken place in Ellerden, Sections 1 – 3. As of October 1, 2025, the District included approximately 141 completed homes (of which approximately 134 homes were owner-occupied), 29 homes under construction, and 56 vacant developed lots. Additionally, approximately 188 single-family residential lots are currently under development in Oakhill Reserve, Sections 1 and 2; such lots are anticipated to be available for homebuilding during the first quarter of 2026. See “THE DISTRICT – Status of Residential Development.”

Commercial and multi-family development within the District presently includes the development project known as Rose Hill Town Center. As of October 1, 2025, commercial and multi-family development in the District includes a Chick-fil-A restaurant, a Whataburger restaurant, and a 336-unit multi-family apartment complex, collectively totaling approximately 335,648 sq. ft. See “THE DISTRICT – Status of Commercial and Multi-Family Development.”

Summary of Land Uses: As of October 1, 2025, the District included approximately 67 acres that have been developed and improved for single-family residential purposes, approximately 55 acres that have been developed and improved for commercial and multi-family purposes, approximately 71 acres under development, approximately 28 acres remaining for future development, and no undevelopable acres. See “THE DISTRICT – Land Uses and Status of Land Development.”

The Developers: The initial developer of approximately 55 acres of land within the District is CRH-WU Investments, LLC, a Texas limited liability company (“CRH-WU”). CRH-WU was established for the sole purpose of developing the land located at Rose Hill Town Center, which is being developed for commercial and multi-family purposes based on current land plans. In addition, an affiliate of CRH-WU owns an approximately 77-acre tract of land that the District anticipates annexing into the District by the end of year 2025. See “THE DISTRICT – Potential Annexation of Land into the District.” CRH-WU was founded in 2018 and its general partner is Mr. Richard E. Buxbaum. Mr. Buxbaum is President of White Unicorn Development, and has over 25 years of development experience. White Unicorn Development develops land and retail shopping centers and provides real estate consulting services to various clients.

The developer of approximately 67 acres of land within the District known as the Ellerden subdivision is Pulte Homes of Texas, LP, a Texas limited partnership (“Pulte”), whose general partner is Pulte Nevada I LLC, a Delaware limited liability company. Pulte and Pulte Nevada I LLC are wholly-owned subsidiaries of PulteGroup, Inc., a Michigan corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol “PHM.” Pulte is also the sole homebuilder in the Ellerden subdivision.

The developers of approximately 99 acres of land within the District known as the Oakhill Reserve subdivision (the “OR Tract”), formerly known as the Decker Prairie Rosehill subdivision, are Toll Southwest,

LLC, a Delaware limited liability company ("Toll Brothers") and Tri Pointe Homes Texas, Inc. ("Tri Pointe"). Toll Brothers is a wholly-owned subsidiary of its publicly traded parent company Toll Brothers, Inc., a Delaware corporation, the stock of which is listed on the New York Stock Exchange under the ticker symbol "TOL." Tri Pointe is a Texas corporation and a wholly-owned subsidiary of its publicly traded parent company, Tri Pointe Homes, Inc., a Delaware corporation, whose stock is listed on the New York Stock Exchange under the ticker symbol "TPH."

CRH-WU, Pulte, Toll Brothers, and Tri Pointe are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

The developer of an approximately 35-acre tract of land, which the District anticipates annexing into the District by the end of year 2025, is Cypress Rosehill Marketplace LLC, a Texas limited liability company ("CR Marketplace"). See "THE DISTRICT – Potential Annexation of Land into the District." CR Marketplace is an affiliate of Capital Retail Properties, LLC, which is a Houston-based brokerage and development firm specializing in commercial development with over 20 years of experience. According to CR Marketplace, such 35-acre tract of land is anticipated to be developed for commercial purposes.

Principal Taxpayers:

Cypress Rosehill Multi-Family Investment I, LLC, a Texas limited liability company ("CRMFI"), owns approximately 15 acres of land within the District that was ultimately acquired from CRH-WU. CRMFI is a special purpose entity created for the sole purpose of building the 336-unit Adora at Rosehill multi-family apartment complex. CRMFI is wholly owned and controlled by MREP Investments, LLC, a Texas limited liability company ("MREP"). MREP is a privately held real estate development firm based in Houston, Texas. The principal of MREP is Mr. Michael S. McGrath. CRMFI has advanced an amount equal to its share of capital recovery fees to the District to allow for the required payment to Tomball ISD (defined below) under the Utility Agreement (defined below), but otherwise has not undertaken District development activity. CRMFI does not own any additional land in the District.

According to the District's 2025 certified tax rolls as provided by the Harris Central Appraisal District (the "Appraisal District"), the top 10 taxpayers represent \$78,662,993 of taxable assessed valuation, or approximately 71.81% of the District's 2025 Certified Taxable Value of \$109,472,203. The District's principal taxpayers include CRMFI, Pulte, and CRH-WU, which collectively represent \$72,509,090 of taxable assessed valuation, or approximately 66.23% of the District's 2025 Certified Taxable Value. See "RISK FACTORS – Dependence on Principal Taxpayers," "THE DEVELOPERS," and "DISTRICT TAX DATA – Principal Taxpayers."

The System:

Pursuant to an Amended and Restated Water and Wastewater Service Agreement (the "Utility Agreement") between the District and Tomball Independent School District ("Tomball ISD") dated January 14, 2025, water supply and wastewater treatment for the District's customers, other than the OR Tract, is provided by Tomball ISD. See "UTILITY AGREEMENT." The District does not own or operate any water supply or wastewater treatment facilities. However, the District is responsible for operations and maintenance of its water distribution and wastewater collection facilities beyond points of delivery from Tomball ISD, including one lift station. The District's source of water is provided by Tomball ISD's Cypress Rosehill Water Supply Plant No. 1 and distributed to the District by way of two (2) metered 12-inch waterlines. The Tomball ISD water plant has capacity to serve 1,147 equivalent single-family connections ("ESFCs") of which the District has reserved 940 ESFCs of capacity pursuant to the Utility Agreement. The District's wastewater treatment is provided by a Tomball ISD wastewater treatment plant. The Tomball ISD wastewater treatment plant has a total capacity of 350,000 gallons per day ("gpd"), which is capable of serving 1,400 ESFCs based on 250 gpd per ESFC. Pursuant to the Utility Agreement, the District owns 235,000 gpd of total plant capacity, which is capable of serving 940 ESFCs. Pursuant to the terms of the Utility Agreement, the District is responsible for billing and collecting capital recovery fees for each building constructed within the District at a current rate of \$1,846.00 per ESFC for water capacity and \$5,954.00 per ESFC for wastewater capacity. The approximately 77-acre tract that the District anticipates annexing into the District is contemplated for service by the current Tomball ISD agreement. Tomball ISD has also committed to serve the approximately 35-acre tract owned by CR Marketplace with 24,800 gpd of water and wastewater capacity under terms and conditions that do not require additional payment for capital recovery fees, pursuant to a separate written agreement.

Pursuant to a Contract for the Development and Purchase of Public Drinking Water and Sanitary Sewer Facilities and Transfer of Groundwater Interests in Harris County, Texas (the "Quadvest Contract") dated November 7, 2024, Toll Brothers, Tri Pointe, the District and Quadvest, LP, a Texas limited partnership and a state-certified retail public water utility/public drinking system and a state-permitted retail public sewer utility that possesses water and sewer certificates of convenience and necessity over the OR Tract, Quadvest will be providing retail water and wastewater services to the area within the OR Tract. Under the Quadvest Contract, Quadvest will (i) expand existing water production facilities and related improvements and existing wastewater treatment plants and related facilities (the "Quadvest Plants") to serve the OR Tract and (ii) the District will construct water mains and sanitary sewer mains, and a lift station and related improvements, and will provide Quadvest with the exclusive right to use such facilities during the time period that the District has bonds related to such facilities that are outstanding. As part of the consideration

under the Quadvest Contract, Toll Brothers and Tri Pointe shall be responsible to pay Quadvest a total of \$700,000 as a contribution in aid of Quadvest's services and obligations under the Quadvest Contract. Quadvest is solely responsible for designing, financing and constructing any expansions of the Quadvest Plants in a manner and upon a timeframe that meets the anticipated public utility service demands upon the OR Tract. An expansion of the Quadvest Plants in order to accommodate any additional capacity required for an additional approximately 320 single family homes upon the OR Tract to be serviced by the Quadvest Plants is currently contemplated under the Quadvest Contract. Under the Quadvest Contract, Quadvest will also be responsible for the maintenance of each of the foregoing facilities. Quadvest will charge retail customers within the OR Tract water and sewer rates according to the water and sewer tariffs approved by the Public Utilities Commission of Texas in effect at the time of service.

The underground storm drainage collection system serving the developed portions of the District are complete. The District's drainage system utilizes a combination of curb and gutter street system and underground storm sewers to convey runoff within the District. Stormwater is collected through such curb and gutter system and storm sewers and is routed to detention ponds within the District, which drain to Willow Creek and ultimately outfall into Lake Houston. According to the Engineer, none of the land located in the District's boundaries is located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map No. 48201C0205L and Map No. 48201C0215L dated June 18, 2007, for Harris County, Texas. See "THE SYSTEM."

SELECTED FINANCIAL INFORMATION
(Unaudited)

8/1/2025 Estimated Taxable Value	\$123,279,064 (a)
2025 Certified Taxable Value	\$109,472,203 (b)

Direct Debt:

Outstanding Bonds (as of October 1, 2025)	\$3,660,000
The Bonds	<u>\$7,105,000</u>
Total Direct Debt	\$10,765,000

See "DISTRICT DEBT"

Estimated Overlapping Debt	\$4,594,289 (c)
Direct and Estimated Overlapping Debt	\$15,359,289

Percentage of Direct Debt to:

8/1/2025 Estimated Taxable Value	8.73%
2025 Certified Taxable Value	9.83%

See "DISTRICT DEBT"

Percentage of Direct and Estimated Overlapping Debt to:

8/1/2025 Estimated Taxable Value	12.46%
2025 Certified Taxable Value	14.03%

See "DISTRICT DEBT"

2025 Tax Rate Per \$100 of Assessed Value:

Debt Service Tax	\$0.18
Maintenance and Operations Tax	<u>\$0.97</u>
Total 2025 Tax Rate	\$1.15

Cash and Temporary Investment Balances as of October 27, 2025:

General Fund	\$284,947 (d)
Debt Service Fund (Pro-Forma)	\$439,154 (e)

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- (a) Reflects data supplied by the Harris Central Appraisal District (the "Appraisal District"). The Estimated Taxable Value as of August 1, 2025, was prepared by the Appraisal District and provided to the District. Such values are not binding on the Appraisal District and are provided for informational purposes only. Any value as a result of new construction since January 1, 2025 will not be included on the District's tax roll until the subsequent year's tax roll is prepared and certified by the Appraisal District. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by the Appraisal District. Such value excludes \$851,975 of uncertified taxable value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) Unaudited figure per the District's records. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."
- (e) Unaudited figure per the District's records. The cash and investment balance in the Debt Service Fund includes an estimate of twelve (12) months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS." Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds plus the estimated debt service requirements on the Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Plus: Debt Service on the Bonds</u>		<u>Total Debt Service Requirements (a)</u>
		<u>Principal</u>	<u>Interest (a)</u>	
2025	\$101,511	-	-	\$101,511
2026	\$174,019	-	\$296,042	\$470,060
2027	\$246,253	-	\$355,250	\$601,503
2028	\$245,538	\$145,000	\$351,625	\$742,163
2029	\$244,453	\$155,000	\$344,125	\$743,578
2030	\$243,000	\$160,000	\$336,250	\$739,250
2031	\$236,363	\$170,000	\$328,000	\$734,363
2032	\$235,966	\$180,000	\$319,250	\$735,216
2033	\$236,700	\$190,000	\$310,000	\$736,700
2034	\$237,216	\$195,000	\$300,375	\$732,591
2035	\$242,403	\$205,000	\$290,375	\$737,778
2036	\$242,263	\$220,000	\$279,750	\$742,013
2037	\$241,903	\$230,000	\$268,500	\$740,403
2038	\$241,325	\$240,000	\$256,750	\$738,075
2039	\$240,528	\$255,000	\$244,375	\$739,903
2040	\$244,403	\$265,000	\$231,375	\$740,778
2041	\$242,856	\$280,000	\$217,750	\$740,606
2042	\$245,881	\$295,000	\$203,375	\$744,256
2043	\$248,456	\$310,000	\$188,250	\$746,706
2044	\$245,694	\$325,000	\$172,375	\$743,069
2045	\$247,594	\$340,000	\$155,750	\$743,344
2046	\$249,044	\$360,000	\$138,250	\$747,294
2047	\$250,172	\$380,000	\$119,750	\$749,922
2048	\$250,984	\$400,000	\$100,250	\$751,234
2049	\$251,359	\$420,000	\$79,750	\$751,109
2050	\$256,188	\$440,000	\$58,250	\$754,438
2051	\$255,469	\$460,000	\$35,750	\$751,219
2052	-	\$485,000	\$12,125	\$752,594
TOTALS	\$6,397,539	\$7,105,000	\$5,993,667	\$19,496,206

Maximum Annual Debt Service Requirements (2050).....\$754,438 (a) (b)

Requires a \$0.65 debt service tax rate on the August 1, 2025 Estimated Taxable Value of \$123,279,064
at 95% collections\$761,248 (a) (b)

Requires a \$0.73 debt service tax rate on the 2025 Certified Taxable Value of \$109,472,203
at 95% collections\$759,190 (a) (b)

(a) Preliminary, subject to change.

(b) See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$7,105,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 572
(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX BONDS
SERIES 2025A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$7,105,000 Harris County Municipal Utility District No. 572 Unlimited Tax Bonds, Series 2025A (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of Harris County Municipal Utility District No. 572 (the "District"), an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District.

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

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, 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, levied against all taxable property within the District. See "THE BONDS – Source 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 generate property taxes to pay debt service at current levels.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter (defined herein) 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.

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. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 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.

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. Section 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.

A district cannot be placed into bankruptcy involuntarily.

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

A substantial percentage of the taxable values of the District are derived from the current market value of single-family, multi-family, and commercial improvements, tracts developed for commercial purposes, and undeveloped tracts planned for commercial development. The market value of such tracts is related to general economic conditions affecting the demand for commercial space. Demand for tracts of this type and the construction of commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such tracts is directed. Decreased levels of construction activity or reduced resale value of such tracts could restrict the growth of property values in the District or could adversely impact such values.

The growth of taxable values in the District is, in part, related to the vitality of the commercial development and commercial building industry in the Houston metropolitan area. The commercial development and building industry has historically been a cyclical

industry, affected by short-term and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and development funds, labor conditions, and general economic conditions. The Houston economy is still dependent on energy prices and the continuation of relatively low oil and natural gas prices could result in additional adverse effects on the Houston area economy. High commercial and industrial property foreclosure rates may also affect commercial mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The ability to qualify for commercial mortgage loans may negatively affect the commercial development and building industry and the growth of taxable values in the District.

The Houston area economy is particularly tied to the energy industry, and continuing fluctuations in oil and natural gas prices could adversely affect the demand for housing and the assessed values of properties located 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 continued growth of taxable values in the District is, in part, related to the single-family housing and building industry. The single-family housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, 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 new homes, hence reducing demand by homebuilders for lots within 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 land development or home 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 commercial real estate and housing industries in the Houston area are competitive, and the District can give no assurance that development programs will be implemented or completed. The sale of developed commercial tracts or single-family residential lots and the competitive position of prospective builders in the construction of commercial establishments or single-family residential homes are affected by most of the factors discussed herein. The District's ability to pay debt service payments on its Bonds is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of developers in the sale of land and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

Certain Tax Exemptions Provided for Affordable Housing

Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the "PFC Act"), Chapter 392 of the Texas Local Government Code (the "Housing Authority Act"), or Chapter 394 of the Texas Local Government Code (the "HFC Act"), if certain conditions are met.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same

exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

The HFC Act provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act. The District is not aware of any public property located within the boundaries of the District that is owned by an HFC.

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act. The District is not aware of any public property located within the boundaries of the District that is owned by a housing authority.

Dependence on Principal Taxpayers

According to the District's 2025 certified tax rolls as provided by the Appraisal District, the top 10 taxpayers represent \$78,662,993 of taxable assessed valuation, or approximately 71.81% of the District's 2025 Certified Taxable Value of \$109,472,203. The District's principal taxpayers include Cypress Rosehill Multi-Family Investment I, LLC, and certain of the Developers, which collectively represent \$72,509,090 of taxable assessed valuation, or approximately 66.23% of the District's 2025 Certified Taxable Value. See "THE DEVELOPERS" and "DISTRICT TAX DATA – Principal Taxpayers."

The ability of the principal taxpayers 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, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease operations within the District, a substantial decrease in the District's value may result; the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds and the Outstanding Bonds on a current basis.

Landowners/Developers Under No Obligation to the District

The Developers have informed the District of their current plans to continue to develop land in the District for commercial or single-family residential purposes. However, neither the Developers nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes or commercial improvements in the District. Currently, there is no restriction on any landowner's right (including the Developers') to sell its land. Failure to construct taxable improvements on developed lots or tracts of land (currently existing lots or tracts of land, or lots or tracts of land anticipated to be created by the Developers) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers, including the Developers, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers" and "THE DEVELOPERS."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2025 tax rate of \$1.15 per \$100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Harris County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential or commercial building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction 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 will be \$754,438 (2050; preliminary, subject to change). The District's August 1, 2025 Estimated Taxable Value is \$123,279,064. Assuming no increase or decrease from the August 1, 2025 Estimated Taxable Value and no use of other District funds, a debt service tax rate of \$0.65 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The District's 2025 Certified Taxable Value is \$109,472,203. Assuming no increase or decrease from the 2025 Certified Taxable Value and no use of other District funds, a debt service tax rate of \$0.73 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Operating Funds

As noted elsewhere in this Official Statement, the District does not own or operate the water supply and wastewater treatment facilities serving the District. The District receives wholesale water and wastewater service from Tomball ISD for areas other than the OR Tract. However, the District does own and operate the water distribution and wastewater collection facilities beyond points of delivery by Tomball ISD, including a lift station. Tomball ISD bills the District directly for water supply and wastewater treatment services and the District bills residents and customers at retail rates pursuant to the terms of the Utility Agreement. See "UTILITY AGREEMENT" and "THE SYSTEM." The revenues derived from the difference between the retail rates paid by the residents and customers to the District and the wholesale rates paid by the District to Tomball ISD may be used by the District to, in part, pay operations and maintenance expenses associated with the District's water distribution and wastewater collection facilities. Similarly, the District may use other available revenues to supplement payment of the wholesale rates. Quadvest is the retail water and wastewater provider to the OR Tract and the District receives no revenues from customers under the Quadvest Contract.

The District set a 2025 operations and maintenance tax rate in the amount of \$0.97 per \$100 of assessed valuation. The revenue produced from the operations and maintenance tax must be sufficient to offset the share of the District's operating expenses that are not covered by revenues derived from water and wastewater services and other related revenue sources. The District's 2025 operations and maintenance tax levy amount is approximately \$1,061,880, which will be deposited into the District's General Fund. The District's unaudited cash and investment balance in the General Fund as of October 27, 2025, was \$284,947. For the fiscal year ending May 31, 2026, the District's General Fund is currently budgeting operating expenses of \$970,200. Continued maintenance of a positive General Fund balance will depend upon: (i) development and increased amounts of water and wastewater revenues and maintenance tax revenue, and (ii) operating advances from the Developers from time to time, which may be reimbursed from proceeds of future bonds. Upon request from the District from time to time, the Developers have made operating advances to the District's General Fund, and such advances have been made on time and in full. If its General Fund balance is depleted, then the District will be required to levy an operations and maintenance tax at a rate sufficient to fund operating expenses as previously described. Such a tax, when added to the District's debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of \$1.15 per \$100 of assessed valuation or less subsequent to the sale of the Bonds. The Developers have entered into agreements with the District memorializing their respective obligations to make operating advances to the District as may be required from time to time. For the fiscal year ending May 31, 2026, the District is currently budgeting no operating advances from the Developers. See "THE SYSTEM – General Fund Operating History" and "DISTRICT TAX DATA – Tax Rate and Collections."

Future Debt

At an election held on May 6, 2023, the District's voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$283,500,000	For certain water, wastewater, and drainage facilities
\$283,500,000	For refunding water, wastewater, and drainage facilities bonds previously issued
\$145,500,000	For certain road facilities
\$145,500,000	For refunding road facilities bonds previously issued
\$46,350,000	For certain parks and recreational facilities
\$46,350,000	For refunding parks and recreational facilities bonds previously issued

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) \$272,735,000 of unlimited tax bonds for water, wastewater, and drainage facilities; (ii) \$283,500,000 of unlimited tax bonds for refunding water, wastewater, and drainage facilities bonds previously issued; (iii) \$145,500,000 of unlimited tax bonds for road facilities; (iv) \$145,500,000 of unlimited tax bonds for refunding road facilities bonds previously issued; (v) \$46,350,000 of unlimited tax bonds for parks and recreational facilities; and (vi) \$46,350,000 of unlimited tax bonds for refunding parks and recreational facilities bonds previously issued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering

authorizing preparation of a fire plan or calling a fire bond election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for 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. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds may not exceed an amount equal to three percent of the value of the taxable property in the District. The District has approved a park plan and conducted a bond election on May 6, 2023, that authorized \$46,350,000 of park and recreational facilities bonds, all of which remain authorized but unissued.

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.

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. When the District does issue road bonds, the outstanding principal amount of such bonds may not exceed an amount equal to twenty-five percent of the assessed value of real property in the District. The District conducted a bond election on May 6, 2023, that authorized \$145,500,000 of road bonds, all of which remain authorized but unissued.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution 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 District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

While the *Sackett* decision 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.

Subsidence and Conversion to Surface Water

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the North Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Tomball ISD groundwater well(s) serving the District are included within the Authority's GRP. Tomball ISD's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees, user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges Tomball ISD, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by Tomball ISD and the amount of surface water, if any, received by Tomball ISD from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period. The District pays for its share of Authority fees to Tomball ISD in accordance with the Utility Agreement and its payment of wholesale rates.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from Tomball ISD or the District. If Tomball ISD or the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against Tomball ISD or the District.

The District cannot predict the amount or level of fees and charges, which may be due to the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

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:

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 have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer 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.

Severe Weather

The District is located approximately 70 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) 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.

Tax Payment Installments After Disaster

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

Additionally, the 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 personal 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.

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.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse certain of the Developers for costs associated with certain detention and drainage facilities serving Rose Hill Town Center located within the District and associated engineering, surveying, materials testing, and stormwater permit costs; (2) fund land acquisition costs associated with certain detention facilities serving the Ellerden subdivision located within the District; (3) fund water and wastewater capacity fees; (4) fund developer interest related to the advancement of funds for certain costs; (5) fund 12 months of capitalized interest on the Bonds; (6) reimburse the Developer for operating advances to the District; and (7) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds.

IDS Engineering Group (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	Total Amount
<i>Developer Contribution Items</i>	
Stormwater Detention and Drainage Facilities to Serve 55 Acres (Rose Hill Town Center)	\$1,498,275
Erosion Consultant & Stormwater Permits	\$3,141
Engineering, Surveying, and Materials Testing	\$123,309
<i>Total Developer Contribution Items</i>	<u>\$1,624,725</u>
<i>District Items</i>	
Water and Wastewater Capacity Fees	\$2,937,726
Land Cost (Stormwater Detention Basin to Serve Ellerden)	\$690,029
<i>Total District Items</i>	<u>\$3,627,755</u>
TOTAL CONSTRUCTION COSTS	\$5,252,480 (a)
NON-CONSTRUCTION COSTS	
Legal Fees	\$182,100
Fiscal Agent Fees	\$142,100
Interest Costs:	
Capitalized Interest (12 months)	\$355,250
Developer Interest	\$546,656
Bond Discount	\$213,150
Operating Advances	\$286,000
Bond Issuance Expenses	\$47,396
Bond Application Report Costs	\$55,000
TCEQ Bond Issuance Fee	\$17,763
Attorney General Fee	\$7,105
Contingency	\$0 (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,852,520</u>
TOTAL BOND ISSUE REQUIREMENT	<u><u>\$7,105,000</u></u>

(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.

(b) The District will designate any 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 to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created on June 9, 2019, with the passage of House Bill 4692 in the 86th Texas Legislative Session (codified as Chapter 8026, Texas Special District Local Laws Code). The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. 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. Additionally, the District is empowered to purchase, construct, operate, and maintain roads and parks and recreational facilities.

Under certain limited circumstances, the District is authorized to construct, develop, maintain, and finance park and recreational facilities, and to construct, develop, maintain, and finance 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 to provide such facilities and services to the customers of the District. See “RISK FACTORS – Financing Road Facilities,” “– Financing Parks and Recreational Facilities,” and “THE BONDS – Issuance of Additional Debt.”

In order to obtain the consent of the City, within whose extraterritorial jurisdiction the District lies, to the District’s creation, the District has agreed to observe certain City requirements. These requirements require City approval of, and limit the purposes for which the District may sell, bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City’s approval of certain of the District’s construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 55 acres. Since its creation, the District has had two (2) annexations in 2022 and 2024, and the District currently includes approximately 221 acres. The District is located in northwestern Harris County, Texas and consists of three (3) noncontiguous tracts of land that are generally located approximately 22 miles northwest of the central business district of the City of Houston, Texas (the “City”), approximately five (5) miles west of the central business district of the City of Tomball, Texas, approximately seven (7) miles south of the central business district of the City of Pinehurst, Texas, and approximately 14 miles east of the central business district of the City of Waller, Texas. The District is situated entirely within the extraterritorial jurisdiction of the City. See “– Vicinity Map” herein.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of October 1, 2025, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed and Improved Acres (a)	122
Acres Under Development (b)	71
Remaining Developable Acreage (c)	28
Undevelopable Acreage (d)	<u>0</u>
Total Approximate Acres	221

- (a) Represents land that is served with utilities and has single-family residential, commercial, and multi-family improvements constructed on site, including Ellerden, Sections 1 – 3, Rose Hill Town Center, and the 336-unit Adora at Rosehill apartments. Such acreage includes road rights-of-way, detention ponds, drainage easements, open spaces, and District plant sites attributable to each respective development. See “– Status of Residential Development” and “– Status of Commercial and Multi-Family Development” herein.
- (b) Represents the land located in Oakhill Reserve, Sections 1 and 2, which is currently under construction and is expected to contain 188 single-family residential lots based on current land plans. The lots in Oakhill Reserve, Sections 1 and 2 are anticipated to be available for homebuilding during the first quarter of 2026. See “– Status of Residential Development” herein.
- (c) Represents land available for future development. Such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon. See “THE DEVELOPERS – Descriptions of the Developers.”
- (d) Acreage attributable to road rights-of-way, detention ponds, drainage easements, open spaces, and District plant sites has been included in “Developed and Improved Acres” according to the recorded plats for each respective development.

Status of Residential Development

The District is being developed for single-family residential purposes in the subdivision known as Ellerden. Homebuilding within the District commenced on or about June of 2023. The following table indicates the approximate status of single-family residential development as of October 1, 2025. See “APPENDIX B – Photographs Taken in the District” for further illustration of the various products of homes being constructed in the District.

<u>Subdivision/Section</u>	<u>Total Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
		<u>Complete</u>	<u>Under Construction</u>	
Ellerden, Section 1 (a)	114	100	0	14
Ellerden, Section 2 (a)	60	26	15	19
Ellerden, Section 3 (a)	52	15	14	23
Oakhill Reserve, Section 1 (b)	-	-	-	-
Oakhill Reserve, Section 2 (b)	-	-	-	-
TOTALS	226	141 (c)	29	56

(a) Homes in the Ellerden, Sections 1 – 3 are being constructed by Pulte on 40-foot, 45-foot, and 50-foot lots and are currently being marketed and sold in the \$280,990 - \$393,990 price range.

(b) The lots in Oakhill Reserve, Section 1 (planned for 122 single-family residential lots), and Oakhill Reserve, Section 2 (planned for 66 single-family residential lots), are currently under development; such lots are anticipated to be available for homebuilding during the first quarter of 2026.

(c) As of October 1, 2025, approximately 134 of the completed homes were owner-occupied and 3 of the completed homes are being used as model homes.

Status of Commercial and Multi-Family Development

The District is being developed for commercial and multi-family purposes in the development project known as Rose Hill Town Center. The District includes certain other tracts that have been developed or are planned for commercial purposes. The following table indicates the approximate status of commercial and multi-family development as of October 1, 2025.

<u>Owner and/or Tenant</u>	<u>Size (sq. ft.)</u>	<u>Building Purpose/Type of Business</u>
Whataburger	3,751	Restaurant
Chick-fil-A	4,995	Restaurant
Adora at Rosehill	326,902	336-unit apartment complex

In addition, an approximately 2,005 sq. ft. Starbucks restaurant is expected to commence construction during the second quarter of 2026, with an estimated completion date during the third quarter of 2026, and retail buildings totaling approximately 35,000 sq. ft. are expected to commence construction during the fourth quarter of 2025, with an estimated completion date during the third quarter of 2026. As stated elsewhere in this Official Statement, the Developers have no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of commercial improvements in the District. Future development and construction depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developers represent that the remaining development of Rose Hill Town Center will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See “THE DEVELOPERS – Descriptions of the Developers,” “RISK FACTORS – Economic Factors,” “– Competition,” and “– Landowners/Developers Under No Obligation to the District.”

Potential Annexation of Land into the District

The Board of Directors of the District has expressed its intent to annex an approximately 77-acre tract of land located on the southeast corner of Cypress Rose Hill Road and State Highway 99. The owner of the tract, and affiliate of CRH-WU, has indicated that the land is anticipated to be developed for commercial and multi-family purposes. Current discussions have indicated that there will be on-site detention, and that water supply and wastewater treatment facilities will be provided to the tract by Tomball ISD under terms and conditions that are similar to those in place for providing service to Rose Hill Town Center. See “THE SYSTEM – Water Supply Facilities” and “– Wastewater Treatment Facilities.” The District intends to finalize such annexation by the end of year 2025, but the District can make no assurance that such annexation will be completed.

In addition, the Board of Directors of the District has expressed its intent to annex an approximately 35-acre tract of land located on the southwest corner of Cypress Rose Hill Road and State Highway 99. The owner of the tract, CR Marketplace, has indicated that the land is anticipated to be developed for commercial purposes. Tomball ISD has committed to serve the 35-acre tract with 24,800 gallons per day of water and wastewater capacity, under terms and conditions that do not require additional payment for capital recovery fees, pursuant to a separate written agreement. See “THE SYSTEM – Water Supply Facilities” and “– Wastewater Treatment Facilities.” The District intends to finalize such annexation by the end of year 2025, but the District can make no assurance that such annexation will be completed.

Vicinity Map



Aerial Photograph 1



Aerial Photograph 2



THE DEVELOPERS

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Descriptions of the Developers

The initial developer of approximately 55 acres of land within the District is CRH-WU Investments, LLC, a Texas limited liability company ("CRH-WU"). CRH-WU was established for the sole purpose of developing the land located at Rose Hill Town Center, which is being developed for commercial and multi-family purposes based on current land plans. In addition, an affiliate of CRH-WU owns an approximately 77-acre tract of land that the District anticipates annexing into the District by the end of year 2025. See "THE DISTRICT – Potential Annexation of Land into the District." CRH-WU was founded in 2018 and its general partner is Mr. Richard E. Buxbaum. Mr. Buxbaum is President of White Unicorn Development, and has over 25 years of development experience. White Unicorn Development develops land and retail shopping centers and provides real estate consulting services to various clients.

The developer of approximately 67 acres of land within the District known as the Ellerden subdivision is Pulte Homes of Texas, LP, a Texas limited partnership ("Pulte"), whose general partner is Pulte Nevada I LLC, a Delaware limited liability company. Pulte and Pulte Nevada I LLC are wholly-owned subsidiaries of PulteGroup, Inc., a Michigan corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "PHM." Pulte is also the sole homebuilder in the Ellerden subdivision. Pulte has completed the development of 226 single-family residential lots in Ellerden, Sections 1 – 3, and is currently implementing its homebuilding program in such sections. According to Pulte, homes in the District are currently being constructed on 40-foot, 45-foot, and 50-foot lots and are currently being marketed in the \$280,990 - \$393,990 price range. See "THE DISTRICT – Land Uses and Status of Land Development" and "– Status of Residential Development."

The developers of approximately 99 acres of land within the District known as the Oakhill Reserve subdivision (the "OR Tract"), formerly known as the Decker Prairie Rosehill subdivision, are Toll Southwest, LLC, a Delaware limited liability company ("Toll Brothers") and Tri Pointe Homes Texas, Inc. ("Tri Pointe"). Toll Brothers is a wholly-owned subsidiary of its publicly traded parent company Toll Brothers, Inc., a Delaware corporation, the stock of which is listed on the New York Stock Exchange under the ticker symbol "TOL." Tri Pointe is a Texas corporation and a wholly-owned subsidiary of its publicly traded parent company, Tri Pointe Homes, Inc., a Delaware corporation, whose stock is listed on the New York Stock Exchange under the ticker symbol "TPH." According to Toll Brothers and Tri Pointe, the Oakhill Reserve subdivision is currently planned for 315 single-family residential lots at ultimate buildout. Toll Brothers and Tri Pointe are in the process of developing the land located in Oakhill Reserve, Sections 1 and 2, which is expected to contain 188 single-family residential lots based on current land plans. The lots in Oakhill Reserve, Sections 1 and 2 are anticipated to be available for homebuilding during the first quarter of 2026. In addition, the development of Oakhill Reserve, Section 3, totaling approximately 127 single-family residential lots, is expected to commence during the second quarter of 2026. As stated elsewhere in this Official Statement, the Developers, including Toll Brother and Tri Pointe, have no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Future development and construction depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor Toll Brothers and Tri Pointe represent that the completion of the development of the Oakhill Reserve subdivision will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See "RISK FACTORS – Economic Factors," "– Competition," and "– Landowners/Developers Under No Obligation to the District" and "THE DISTRICT – Land Uses and Status of Land Development" and "– Status of Residential Development."

CRH-WU, Pulte, Toll Brothers, and Tri Pointe are collectively referred to herein as the "Developers."

The developer of an approximately 35-acre tract of land, which the District anticipates annexing into the District by the end of year 2025, is Cypress Rosehill Marketplace LLC, a Texas limited liability company ("CR Marketplace"). See "THE DISTRICT – Potential Annexation of Land into the District." CR Marketplace is an affiliate of Capital Retail Properties, LLC, which is a Houston-based brokerage and development firm specializing in commercial development with over 20 years of experience. According to CR Marketplace, such 35-acre tract of land is anticipated to be developed for commercial purposes.

Cypress Rosehill Multi-Family Investment I, LLC, a Texas limited liability company ("CRMFI"), owns approximately 15 acres of land within the District that was ultimately acquired from CRH-WU. CRMFI is a special purpose entity created for the sole purpose

of building the 336-unit Adora at Rosehill multi-family apartment complex. CRMFI is wholly owned and controlled by MREP Investments, LLC, a Texas limited liability company ("MREP"). MREP is a privately held real estate development firm based in Houston, Texas. The principal of MREP is Mr. Michael S. McGrath. CRMFI has advanced an amount equal to its share of capital recovery fees to the District to allow for the required payment to Tomball ISD under the Utility Agreement, but otherwise has not undertaken District development activity. CRMFI does not own any additional land in the District. See "RISK FACTORS – Dependence on Principal Taxpayers" and "– Certain Tax Exemptions Provided for Affordable Housing" and "DISTRICT TAX DATA – Principal Taxpayers."

UTILITY AGREEMENT

Pursuant to an Amended and Restated Water and Wastewater Service Agreement (the "Utility Agreement") between the District and Tomball Independent School District ("Tomball ISD") dated January 14, 2025, water supply and wastewater treatment for the District's customers is provided by Tomball ISD. The District does not own or operate any water supply or wastewater treatment facilities. However, the District is responsible for operations and maintenance of its water distribution and wastewater collection facilities beyond points of delivery from Tomball ISD, including a lift station.

Quadvest Contract Upon OR Tract

Pursuant to a Contract for the Development and Purchase of Public Drinking Water and Sanitary Sewer Facilities and Transfer of Groundwater Interests in Harris County, Texas (the "Quadvest Contract") dated November 7, 2024, Toll Brothers, Tri Pointe, the District and Quadvest, LP, a Texas limited partnership and a state-certified retail public water utility/public drinking system and a state-permitted retail public sewer utility that possesses water and sewer certificates of convenience and necessity over the OR Tract, Quadvest will be providing retail water and wastewater services to the area within the OR Tract. Under the Quadvest Contract, Quadvest will (i) expand existing water production facilities and related improvements and existing wastewater treatment plants and related facilities (the "Quadvest Plants") to serve the OR Tract and (ii) the District will construct water mains and sanitary sewer mains, and a lift station and related improvements, and will provide Quadvest with the exclusive right to use such facilities during the time period that the District has bonds related to such facilities that are outstanding. As part of the consideration under the Quadvest Contract, Toll Brothers and Tri Pointe shall be responsible to pay Quadvest a total of \$700,000 as a contribution in aid of Quadvest's services and obligations under the Quadvest Contract. Quadvest is solely responsible for designing, financing and constructing any expansions of the Quadvest Plants in a manner and upon a timeframe that meets the anticipated public utility service demands upon the OR Tract. An expansion of the Quadvest Plants in order to accommodate any additional capacity required for an additional approximately 320 single family homes upon the OR Tract to be serviced by the Quadvest Plants is currently contemplated under the Quadvest Contract. Under the Quadvest Contract, Quadvest will also be responsible for the maintenance of each of the foregoing facilities. Quadvest will charge retail customers within the OR Tract water and sewer rates according to the water and sewer tariffs approved by the Public Utilities Commission of Texas in effect at the time of service.

THE SYSTEM

Regulation

According to the Engineer, the water, wastewater, and storm drainage facilities serving the land within the District (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable among others, the TCEQ, Harris County, the City, and Tomball ISD. According to the Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the water supply facilities serving the District is or will be provided by Tomball ISD or Quadvest. The water supply and wastewater treatment facilities are subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, the Public Utilities Commission of Texas, and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply

The District's source of water is provided by Tomball ISD's Cypress Rosehill Water Supply Plant No. 1 and distributed to the District by way of two (2) metered 12-inch waterlines. The Tomball ISD water plant has capacity to serve 1,147 equivalent single-family connections ("ESFCs") of which the District owns 940 ESFCs of capacity pursuant to the Utility Agreement. The District does not have an interconnect with another public water system. Pursuant to the terms of the Utility Agreement, the District is responsible for billing and collecting capital recovery fees for each building constructed within the District at a current rate of \$1,846.00 per ESFC for water capacity. The approximately 77-acre tract that the District anticipates annexing into the District is contemplated for service by the current Tomball ISD agreement. Tomball ISD has also committed to serve the approximately 35-acre tract owned by CR Marketplace with 24,800 gallons per day ("gpd") of water capacity under terms and conditions that do not require additional payment for capital recovery fees, pursuant to a separate written agreement.

Wastewater Treatment Facilities

The District's wastewater treatment is provided by a Tomball ISD wastewater treatment plant. The Tomball ISD wastewater treatment plant has a total capacity of 350,000 gpd, which is capable of serving 1,400 ESFCs based on 250 gpd per ESFC. Pursuant to the Utility Agreement, the District owns 235,000 gpd of total plant capacity, which is capable of serving 940 ESFCs. Pursuant to the

terms of the Utility Agreement, the District is responsible for billing and collecting capital recovery fees for each building constructed within the District at a current rate of \$5,954.00 per ESFC for wastewater capacity. The approximately 77-acre tract that the District anticipates annexing into the District is contemplated for service by the current Tomball ISD agreement. Tomball ISD has also committed to serve the approximately 35-acre tract owned by CR Marketplace with 24,800 gpd of wastewater capacity under terms and conditions that do not require additional payment for capital recovery fees, pursuant to a separate written agreement.

Drainage and Detention Facilities

The underground storm drainage collection system serving the developed portions of the District are complete. The District's drainage system utilizes a combination of curb and gutter street system and underground storm sewers to convey runoff within the District. Stormwater is collected through such curb and gutter system and storm sewers and is routed to detention ponds within the District, which drain to Willow Creek and ultimately outfall into Lake Houston.

100-Year Flood Plain

According to the Engineer, none of the land located in the District's boundaries is located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map No. 48201C0205L and Map No. 48201C0215L dated June 18, 2007, for Harris County, Texas.

General Fund Operating History

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 operations is provided for information purposes only.

	Fiscal Year Ended May 31 (a)		
	2025	2024	2023
REVENUES			
Water service	\$197,905	\$29,375	\$891
Sewer service	\$149,988	\$17,569	\$91
Property taxes	\$724,929	\$227,864	\$113,714
Penalties and interest	\$15,352	\$491	-
Regional water authority fees	\$65,982	-	-
Tap connection and inspection	\$222,214	\$309,063	\$47,976
Miscellaneous	\$8,247	\$16,065	\$801
Interest earnings	\$8,434	\$162	\$40
TOTAL REVENUES	\$1,393,051	\$600,589	\$163,513
EXPENDITURES			
Current service operations:			
Purchased services	\$271,666	\$173,784	-
Professional fees	\$177,533	\$157,661	\$193,937
Contracted services	\$98,464	\$87,278	\$26,576
Repairs and maintenance	\$108,301	\$29,065	\$52,367
Administrative	\$27,594	\$21,635	\$21,944
Other	\$12,715	\$10,200	\$6,670
Capital outlay (b)	\$462,523	\$2,696,944	\$100,000
TOTAL EXPENDITURES	\$1,158,796	\$3,176,567	\$401,494
OTHER FINANCING SOURCES			
Developer advances - capital recovery fees (b)	\$375,336	\$2,418,030	-
Developer advances - operating (c)	-	\$137,168	\$310,000
TOTAL OTHER FINANCING SOURCES	\$375,336	\$2,555,198	\$310,000
NET CHANGE IN FUND BALANCE	\$609,591	(\$20,780)	\$72,019
BEGINNING FUND BALANCE	\$1,636	\$22,416	(\$49,603)
ENDING FUND BALANCE (d)	\$611,227	\$1,636	\$22,416

(a) Data is taken from the District's audited financial statements. See "APPENDIX A." The information for the fiscal year ended May 31, 2023 represents the first year of audited financial statements.

(b) The District is responsible for billing and collecting capital recovery fees for buildings constructed within the District's boundaries. See "– Water Supply" and "– Wastewater Treatment Facilities" herein. All fees derived from these charges are due and payable to Tomball ISD prior to each building connecting to the Tomball ISD facilities. For the fiscal year ended May 31, 2025, the District paid Tomball ISD \$375,336 for capital recovery fees and \$271,666 for purchased services. The Developers in the District advance funds to the District as needed to pay capital costs. During the fiscal year ended May 31, 2025, the District received \$375,336 for capital recovery fees from the Developers.

- (c) The District was funded by operating advances from the Developers for fiscal years 2024 and prior. As noted elsewhere in this Official Statement, the Developers have entered into an agreement with the District memorializing their obligations to make operating advances to the District as may be required from time to time. See "RISK FACTORS – Operating Funds."
- (d) As of October 27, 2025, the District's General Fund had an unaudited cash and investment balance of \$284,947. For the fiscal year ending May 31, 2026, the District's General Fund is currently budgeting revenues of \$1,175,700, with no budgeted operating advances from the Developer, and expenditures of \$970,200.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. Each of the directors owns a parcel of land within the District that is subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Jonathan Sanders	President	2026
Christopher J. Barnes	Vice President	2026
Reid D. Wendell	Assistant Vice President	2028
Mark Ramos	Secretary	2028
Kara Jackson	Assistant Secretary	2026

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Tax Tech, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with District Data Services, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of May 31, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's May 31, 2025, audited financial statements.

Utility System Operator – Tomball ISD is the operator of the System, except that Municipal Operations and Consulting, Inc. is the operator for the District's water and wastewater system beyond points of delivery by Tomball ISD and Quadvest will operate its system upon the OR Tract.

Engineer – The consulting engineer for the District is IDS Engineering Group, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered. See "OFFICIAL STATEMENT – Financial Advisor."

Legal Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as general counsel for the District on matters other than the issuance of bonds. Payment for General Counsel services is based upon hourly fee charges. Payment of fees for Bond Counsel services are contingent upon sale and delivery of the Bonds.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale, and delivery of the Bonds.

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 are 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.

DISTRICT DEBT

8/1/2025 Estimated Taxable Value	\$123,279,064 (a)
2025 Certified Taxable Value	\$109,472,203 (b)

Direct Debt:

Outstanding Bonds (as of October 1, 2025)	\$3,660,000
The Bonds	<u>\$7,105,000</u>
Total Direct Debt	\$10,765,000

Estimated Overlapping Debt	<u>\$4,594,289 (c)</u>
Direct and Estimated Overlapping Debt	\$15,359,289

Percentage of Direct Debt to:

8/1/2025 Estimated Taxable Value	8.73%
2025 Certified Taxable Value	9.83%

Percentage of Direct and Estimated Overlapping Debt to:

8/1/2025 Estimated Taxable Value	12.46%
2025 Certified Taxable Value	14.03%

2025 Tax Rate Per \$100 of Assessed Value:

Debt Service Tax	\$0.18
Maintenance and Operations Tax	<u>\$0.97</u>
Total 2025 Tax Rate	\$1.15

Cash and Temporary Investment Balances as of October 27, 2025:

General Fund	\$284,947 (d)
Debt Service Fund (Pro-Forma)	\$439,154 (e)

-
- (a) Reflects data supplied by the Appraisal District. The Estimated Taxable Value as of August 1, 2025, was prepared by the Appraisal District and provided to the District. Such values are not binding on the Appraisal District and are provided for informational purposes only. Any value as a result of new construction since January 1, 2025 will not be included on the District's tax roll until the subsequent year's tax roll is prepared and certified by the Appraisal District. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by the Appraisal District. Such value excludes \$851,975 of uncertified taxable value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "– Estimated Overlapping Debt" herein.
- (d) Unaudited figure per the District's records. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."
- (e) Unaudited figure per the District's records. The cash and investment balance in the Debt Service Fund includes an estimate of twelve (12) months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS." Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

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 the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. 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>Overlapping %</u>	<u>Amount</u>
Tomball Independent School District	\$1,095,800,000	0.37%	\$4,049,476
Harris County	\$2,257,734,736	0.01%	\$226,162
Harris County Department of Education	\$28,960,000	0.01%	\$2,854
Harris County Flood Control District	\$937,165,000	0.01%	\$95,858
Harris County Hospital District	\$867,820,000	0.01%	\$93,611
Port of Houston Authority	\$386,074,397	0.01%	\$39,084
Lone Star College System	\$434,530,000	0.02%	\$87,245
Total Estimated Overlapping Debt			\$4,594,289
The District (a)			<u>\$10,765,000</u>
Total Direct and Estimated Overlapping Debt			\$15,359,289

(a) Includes the Bonds and the Outstanding Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the year 2022 through 2024, and includes certain information relative to the 2025 tax year. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u> (a)	<u>Tax Rate</u> (b)	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u> (c)	<u>Tax Year Ended September 30</u>
2025	\$109,472,203	\$1.15	\$1,258,930	(d)	2026
2024	\$65,477,363	\$1.15	\$752,990	100%	2025
2023	\$19,492,672	\$1.15	\$224,166	100%	2024
2022	\$10,144,342	\$1.15	\$116,660	100%	2023

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of September 30, 2025.

(d) The 2025 taxes are in the process of collections; such taxes become delinquent if not paid before February 1, 2026. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100 of assessed valuation at an election held on November 3, 2020. The District's voters also authorized a road maintenance tax of up to \$0.25 per \$100 of assessed valuation at an election held on November 3, 2020. The District has never levied a road maintenance tax and the District currently has no plans to levy such tax. See "– Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2022 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Debt Service	\$0.18	\$0.00	\$0.00	\$0.00
Maintenance/Operations	<u>\$0.97</u>	<u>\$1.15</u>	<u>\$1.15</u>	<u>\$1.15</u>
Total	\$1.15	\$1.15	\$1.15	\$1.15

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2025 and the other information provided by this table were provided by the Appraisal District to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of the Appraisal District.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Cypress Rosehill Multi-Family Investment I, LLC (a)	Land and Improvement	\$54,484,595	49.77%
Pulte Homes of Texas LP (b)	Land, Improvement, & Personal Property	\$9,376,375	8.56%
CRH-WU Investments LLC (b)	Land and Improvement	\$8,648,120	7.89%
HEB LP	Land	\$2,790,488	2.54%
Chick-Fil-A Store #04983	Personal Property	\$800,618	0.73%
Tomball VPG 1 LLC	Land	\$526,000	0.48%
Homeowner	Land and Improvement	\$513,255	0.46%
Homeowner	Land and Improvement	\$510,732	0.46%
Homeowner	Land and Improvement	\$506,555	0.46%
Homeowner	Land and Improvement	\$506,255	0.46%
TOTALS		\$78,662,993	71.81%

(a) See "RISK FACTORS – Dependence on Principal Taxpayers" and "– Certain Tax Exemptions Provided for Affordable Housing" and "THE DEVELOPERS."

(b) See "THE DEVELOPERS" and "RISK FACTORS – Dependence on Principal Taxpayers."

Analysis of Tax Base

Based on information provided to the District by the Appraisal District and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2022 through 2025, and includes the August 1, 2025 Estimated Taxable Value.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
8/1/2025						\$123,279,064 (a)
2025	\$28,842,360	\$82,187,958	\$1,728,658	\$112,758,976	\$3,286,773	\$109,472,203 (b)
2024	\$23,306,873	\$42,935,774	\$1,482,020	\$67,724,667	\$2,247,304	\$65,477,363
2023	\$16,100,447	\$5,434,123	\$73,917	\$21,608,487	\$2,115,815	\$19,492,672
2022	\$11,396,490	\$365,123	\$296,283	\$12,057,896	\$1,913,554	\$10,144,342

(a) The Estimated Taxable Value as of August 1, 2025, was prepared by the Appraisal District and provided to the District. Such values are not binding on the Appraisal District and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by the Appraisal District. Such value excludes \$851,975 of uncertified taxable value that is still in the certification process. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2025 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2025 Tax Rate</u>
Tomball Independent School District	\$1.062900
Harris County (a)	\$0.628928
Lone Star College System	\$0.106000
Harris County Emergency Services District No. 3	\$0.100000
Harris County Emergency Services District No. 21	<u>\$0.100000</u>
Overlapping Taxes	\$1.997828
 The District	 <u>\$1.150000</u>
Total Direct & Overlapping Taxes	\$3.147828

(a) Includes Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, and Harris County Department of Education.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the August 1, 2025 Estimated Taxable Value and the 2025 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2050)..... \$754,438 (a)

Requires a \$0.65 debt service tax rate on the August 1, 2025 Estimated Taxable Value
at 95% collections \$761,248 (a)

Requires a \$0.73 debt service tax rate on the 2025 Certified Taxable Value
at 95% collections \$759,190 (a)

(a) Preliminary, subject to change.

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 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 Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source 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 water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property 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. The Appraisal District has the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris Central 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.

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 before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Exemption Provided to Lessees of Public Facility Corporations

Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC"), to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including ad valorem and sales taxes levied by such taxing authorities. A leasehold or other possessory interest in the public facility granted by the PFC entitles the user of the public facility to the same exemptions from taxation. Developers who participate in these deals must set aside at least 20% of their units for public housing. Alternatively, they can designate at least half of their units for people making less than 80% of the area median income.

Tax Abatement

Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, either the City, Harris County, 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 property 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 owner 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.

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. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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, or 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 an unqualified owner, 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. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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 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.

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. 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 by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in 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 tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 a parity with tax liens of other such taxing units (see "DISTRICT 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.

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 and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement that may be entered into between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District and could provide for the conversion of a limited purpose annexation to a general purpose annexation or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

THE BONDS

General

The Bond Resolution 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. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from December 1, 2025, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2026, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the 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.

In the event that the Book-Entry-Only System is discontinued, 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 Owner 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 Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on and after April 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 April 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. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

Defeasance

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

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

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

Funds

In the Bond Resolution, the Debt Service Fund is confirmed and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds and 12 months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs and operating advances, and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution in accordance with TCEQ rules or ultimately transferred to the Debt Service Fund.

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, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution 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 that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made concerning other laws, rules, regulations, or investment criteria which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the

foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Issuance of Additional Debt

At an election held on May 6, 2023, the District's voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$283,500,000	For certain water, wastewater, and drainage facilities
\$283,500,000	For refunding water, wastewater, and drainage facilities bonds previously issued
\$145,500,000	For certain road facilities
\$145,500,000	For refunding road facilities bonds previously issued
\$46,350,000	For certain parks and recreational facilities
\$46,350,000	For refunding parks and recreational facilities bonds previously issued

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) \$272,735,000 of unlimited tax bonds for water, wastewater, and drainage facilities; (ii) \$283,500,000 of unlimited tax bonds for refunding water, wastewater, and drainage facilities bonds previously issued; (iii) \$145,500,000 of unlimited tax bonds for road facilities; (iv) \$145,500,000 of unlimited tax bonds for refunding road facilities bonds previously issued; (v) \$46,350,000 of unlimited tax bonds for parks and recreational facilities; and (vi) \$46,350,000 of unlimited tax bonds for refunding parks and recreational facilities bonds previously issued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

Further, the principal amount of park bonds issued by the District is limited to one percent of the District's taxable valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the principal amount of such bonds issued by the District is limited to three percent of the District's taxable valuation. See "RISK FACTORS – Financing Parks and Recreational Facilities."

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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering authorizing preparation of a fire plan or calling a fire bond election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for 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 (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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 Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds 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 Bonds 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 none of the District, the Financial Advisor or 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.

LEGAL MATTERS

Legal Proceedings

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

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Proceedings" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. 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.

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

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a

requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

NOT Qualified Tax-Exempt Obligations

The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions.

Additional Federal Income Tax Considerations

Collateral Tax Consequences. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount. If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues 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 OID 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes. Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

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 Developers, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such

documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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 and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location" and "– Land Uses and Status of Land Development" has been provided by IDS Engineering Group and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Appraisal District and by Tax Tech, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of May 31, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's May 31, 2025, audited financial statements.

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 required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements 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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, 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.

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, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriter.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 572 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED MAY 31, 2025

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 572**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2025

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 572
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 572 (the "District"), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 572, as of May 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris County Municipal Utility District No. 572
Harris County, Texas***

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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuire & Co, LLC

Houston, Texas
September 22, 2025

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Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025***

Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 572 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at May 31, 2025, was negative \$1,311,227. The District's net position is negative because the District relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of May 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 1,155,741	\$ 180,768
Capital assets	13,047,707	8,129,347
Total assets	14,203,448	8,310,115
Current liabilities	246,048	179,132
Long-term liabilities	15,268,627	8,762,517
Total liabilities	15,514,675	8,941,649
Net position		
Net investment in capital assets	(1,551,762)	(1,002)
Restricted	136,476	
Unrestricted	104,059	(630,532)
Total net position	\$ (1,311,227)	\$ (631,534)

Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025

The total net position of the District decreased during the current fiscal year by \$679,693. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Water and sewer service	\$ 347,893	\$ 46,944
Property taxes, penalties and interest	772,639	200,139
Regional water authority fees	65,982	
Tap connection and inspection	222,214	309,063
Other	16,770	16,227
Total revenues	<u>1,425,498</u>	<u>572,373</u>
Expenses		
Current service operations	791,468	479,623
Debt interest and fees	37,481	
Developer interest	641,598	
Debt issuance costs	328,905	
Depreciation and amortization	305,739	243,936
Total expenses	<u>2,105,191</u>	<u>723,559</u>
Change in net position	(679,693)	(151,186)
Net position, beginning of year	(631,534)	(480,348)
Net position, end of year	<u><u>\$ (1,311,227)</u></u>	<u><u>\$ (631,534)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2025, were \$914,816, which consists of \$611,227 in the General Fund, \$173,957 in the Debt Service Fund and \$129,632 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u><u>\$ 842,968</u></u>	<u><u>\$ 180,768</u></u>
Total liabilities	\$ 199,383	\$ 179,132
Total deferred inflows	32,358	
Total fund balance	<u>611,227</u>	<u>1,636</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 842,968</u></u>	<u><u>\$ 180,768</u></u>

Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 1,393,051	\$ 600,589
Total expenditures	(1,158,796)	(3,176,567)
Revenues over/(under) expenditures	234,255	(2,575,978)
Other changes in fund balance	375,336	2,555,198
Net change in fund balance	\$ 609,591	\$ (20,780)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, tap connection fees charged to homebuilders in the District and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and regional water authority fees are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs and capital costs. During the current fiscal year, the District received \$375,336 for capital recovery fees. During the prior fiscal year, the District received \$137,168 for operating advances and \$2,418,030 for capital recovery fees.

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of May 31, 2025, is as follows:

Total assets	\$ 183,141
Total liabilities	\$ 9,184
Total fund balance	173,957
Total liabilities and fund balance	\$ 183,141

Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	\$ 43
Total expenditures	(105)
Revenues under expenditures	(62)
Other changes in fund balance	174,019
Net change in fund balance	<u>\$ 173,957</u>

The District's financial resources in the Debt Service Fund in the current fiscal year are from capitalized interest from the sale of bonds. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2025 Unlimited Tax Bonds. A summary of the financial position of the Capital Projects Fund as of May 31, 2025, is as follows:

Total assets	<u>\$ 129,632</u>
Total fund balance	<u>\$ 129,632</u>

A summary of activities of the Capital Projects Fund for the current fiscal year is as follows:

Total revenues	\$ 46
Total expenditures	(3,231,395)
Revenues under expenditures	(3,231,349)
Other changes in fund balance	3,360,981
Net change in fund balance	<u>\$ 129,632</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$608,731 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of

Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025

future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at May 31, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land, improvements and easements	\$ 4,917,291	\$ 1,840,751
Capital assets being depreciated/amortized		
Infrastructure	4,724,292	2,952,069
Landscaping improvements	1,198,413	1,198,413
Capital recovery fees	2,793,366	2,418,030
	<u>8,716,071</u>	<u>6,568,512</u>
Less accumulated depreciation/amortization		
Infrastructure	(256,732)	(123,274)
Landscaping improvements	(119,842)	(59,921)
Capital recovery fees	(209,081)	(96,721)
	<u>(585,655)</u>	<u>(279,916)</u>
Depreciable capital assets, net	<u>8,130,416</u>	<u>6,288,596</u>
Capital assets, net	<u>\$ 13,047,707</u>	<u>\$ 8,129,347</u>

Capital asset additions during the current fiscal year include the following:

- Capital recovery fees paid to Tomball Independent School District
- Detention facilities to serve Ellerden
- Land acquisition for stormwater detention basin
- Water meters

Long-Term Debt and Related Liabilities

As of May 31, 2025, the District owes approximately \$11,608,627 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of \$20,060,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developer is reimbursed.

During the current fiscal year, the District issued \$3,660,000 in unlimited tax bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of May 31, 2024.

Harris County Municipal Utility District No. 572
Management's Discussion and Analysis
May 31, 2025

At May 31, 2025, the District had \$279,840,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$283,500,000 for the refunding of such bonds; \$46,350,000 for parks and recreational facilities and \$46,350,000 for the refunding of such bonds; and \$145,500,000 for road improvements and \$145,500,000 for the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately \$5,388,000 for the 2025 tax year from \$65,592,771 to \$70,980,838, based on preliminary values provided by the appraisal district. This increase was primarily due to new construction in the District.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	\$ 1,393,051	\$ 1,175,700
Total expenditures	(1,158,796)	(970,200)
Revenues over expenditures	234,255	205,500
Other changes in fund balance	375,336	
Net change in fund balance	609,591	205,500
Beginning fund balance	1,636	611,227
Ending fund balance	\$ 611,227	\$ 816,727

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Basic Financial Statements

Harris County Municipal Utility District No. 572
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 562,682	\$ 98	\$ 586	\$ 563,366	\$ -	\$ 563,366
Investments		183,043	129,046	312,089		312,089
Taxes receivable	32,358			32,358		32,358
Customer service receivables	74,398			74,398		74,398
Internal balances						
Other receivables	173,530			173,530		173,530
Capital assets not being depreciated					4,917,291	4,917,291
Capital assets, net					8,130,416	8,130,416
Total Assets	<u>\$ 842,968</u>	<u>\$ 183,141</u>	<u>\$ 129,632</u>	<u>\$ 1,155,741</u>	<u>13,047,707</u>	<u>14,203,448</u>
Liabilities						
Accounts payable	\$ 150,658	\$ -	\$ -	\$ 150,658		150,658
Customer deposits	48,725			48,725		48,725
Accrued interest payable		9,184		9,184	37,481	46,665
Due to developers					11,608,627	11,608,627
Long-term debt						
Due after one year					3,660,000	3,660,000
Total Liabilities	<u>199,383</u>	<u>9,184</u>	<u></u>	<u>208,567</u>	<u>15,306,108</u>	<u>15,514,675</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>32,358</u>	<u></u>	<u></u>	<u>32,358</u>	<u>(32,358)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		173,957	129,632	303,589	(303,589)	
Unassigned	611,227			611,227	(611,227)	
Total Fund Balances	<u>611,227</u>	<u>173,957</u>	<u>129,632</u>	<u>914,816</u>	<u>(914,816)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 842,968</u>	<u>\$ 183,141</u>	<u>\$ 129,632</u>	<u>\$ 1,155,741</u>		
Net Position						
Net investment in capital assets					(1,551,762)	(1,551,762)
Restricted for debt service					136,476	136,476
Unrestricted					104,059	104,059
Total Net Position					<u>\$ (1,311,227)</u>	<u>\$ (1,311,227)</u>

See notes to basic financial statements.

Harris County Municipal Utility District No. 572

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 197,905	\$ -	\$ -	\$ 197,905	\$ -	\$ 197,905
Sewer service	149,988			149,988		149,988
Property taxes	724,929			724,929	32,358	757,287
Penalties and interest	15,352			15,352		15,352
Regional water authority fees	65,982			65,982		65,982
Tap connection and inspection	222,214			222,214		222,214
Miscellaneous	8,247			8,247		8,247
Investment earnings	8,434	43	46	8,523		8,523
Total Revenues	1,393,051	43	46	1,393,140	32,358	1,425,498
Expenditures/Expenses						
Current service operations						
Purchased services	271,666			271,666		271,666
Professional fees	177,533		95,000	272,533		272,533
Contracted services	98,464			98,464		98,464
Repairs and maintenance	108,301			108,301		108,301
Administrative	27,594			27,594		27,594
Other	12,715	105	90	12,910		12,910
Capital outlay	462,523		2,165,802	2,628,325	(2,628,325)	
Debt service						
Interest and fees					37,481	37,481
Developer interest			641,598	641,598		641,598
Debt issuance costs			328,905	328,905		328,905
Depreciation and amortization					305,739	305,739
Total Expenditures/Expenses	1,158,796	105	3,231,395	4,390,296	(2,285,105)	2,105,191
Revenues Over (Under) Expenditures	234,255	(62)	(3,231,349)	(2,997,156)	2,997,156	
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		174,019	3,485,981	3,660,000	(3,660,000)	
Developer advances - capital recovery fees	375,336			375,336	(375,336)	
Repayment of developer advances			(125,000)	(125,000)	125,000	
Net Change in Fund Balances	609,591	173,957	129,632	913,180	(913,180)	
Change in Net Position					(679,693)	(679,693)
Fund Balance/Net Position						
Beginning of the year	1,636			1,636	(633,170)	(631,534)
End of the year	\$ 611,227	\$ 173,957	\$ 129,632	\$ 914,816	\$ (2,226,043)	\$ (1,311,227)

See notes to basic financial statements.

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Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 572 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an act of the 86th Texas Legislative Regular Session, codified as Chapter 8026, Special District Local Laws Code, effective June 9, 2019 and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on November 22, 2019, and the first bonds were issued on March 20, 2025.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities, road improvements and parks and recreational facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major”

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. During the current fiscal year, financial resources primarily consisted of capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities and road improvements and parks and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years
Landscaping improvements	20 years
Capital recovery fees	Remaining life of contract

The District's detention facilities and easements are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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 externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from the sale of bonds in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 914,816
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 13,633,362	
Less accumulated depreciation/amortization	<u>(585,655)</u>	
		13,047,707

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Accrued interest payable	(37,481)	
Due to developers	(11,608,627)	
Bonds payable	<u>(3,660,000)</u>	
		(15,306,108)

Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.

32,358

Total net position - governmental activities	<u><u>\$ (1,311,227)</u></u>
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Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

	\$ 913,180
Net change in fund balances - total governmental funds	

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.	32,358
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Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

Capital outlays	\$ 2,628,325	
Depreciation/amortization expense	(305,739)	
		2,322,586

Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Issuance of long-term debt	(3,660,000)	
Developer advances	(375,336)	
Repayment of developer advances	125,000	
Interest expense accrual	(37,481)	
		(3,947,817)

Change in net position of governmental activities	\$ (679,693)
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of May 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	Debt Service	\$ 183,043	AAAm	42 days
	Capital Projects	129,046		
		<u>\$ 312,089</u>		

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2025, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land, improvements and easements	\$ 1,840,751	\$ 3,076,540	\$ 4,917,291
Capital assets being depreciated/amortized			
Infrastructure	2,952,069	1,772,223	4,724,292
Landscaping improvements	1,198,413		1,198,413
Capital recovery fees	2,418,030	375,336	2,793,366
	<u>6,568,512</u>	<u>2,147,559</u>	<u>8,716,071</u>
Less accumulated depreciation/amortization			
Infrastructure	(123,274)	(133,458)	(256,732)
Landscaping improvements	(59,921)	(59,921)	(119,842)
Capital recovery fees	(96,721)	(112,360)	(209,081)
	<u>(279,916)</u>	<u>(305,739)</u>	<u>(585,655)</u>
Subtotal depreciable capital assets, net	<u>6,288,596</u>	<u>1,841,820</u>	<u>8,130,416</u>
Capital assets, net	<u>\$ 8,129,347</u>	<u>\$ 4,918,360</u>	<u>\$ 13,047,707</u>

Depreciation/amortization expense for the current fiscal year was \$305,739.

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

The District's developers have also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	\$ 8,762,517
Developer reimbursements	(2,165,802)
Developer funded construction and adjustments	4,761,576
Developer advances	375,336
Repayment of developer advances	(125,000)
Due to developer, end of year	<u>\$ 11,608,627</u>

In addition, the District will owe the developers approximately \$20,060,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount*
Rose Hill Town Center - access improvements	\$ 1,370,000
Ellerden - utilities and paving	6,050,000
Ellerden Section 3 - utilities and paving	1,200,000
Rose Hill Village - stormwater detention and drainage facilities	2,170,000
Decker Prairie Rosehill - mass grading and detention facilities	3,630,000
Decker Prairie Rosehill - lift station	840,000
Oakhill Reserve Sections 1 and 2 - utilities	2,470,000
Oakhill Reserve Sections 1 and 2 - paving and appurtenances	2,330,000
	<u>\$ 20,060,000</u>

* Rounded to the nearest \$10,000

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 3,660,000</u>
Due within one year	<u>\$ -</u>

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

The District's bonds payable at May 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2025	\$ 3,660,000	\$ 3,660,000	4.375% - 7.375%	April 1, 2027/2051	April 1, October 1	April 1, 2030

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At May 31, 2025, the District had \$279,840,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$283,500,000 for the refunding of such bonds; \$46,350,000 for parks and recreational facilities and \$46,350,000 for the refunding of such bonds; and \$145,500,000 for road improvements and \$145,500,000 for the refunding of such bonds.

On March 20, 2025, the District issued its \$3,660,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.68126800%. Proceeds of the bonds were used (1) to reimburse developers for the following: the acquisition of land for certain District facilities; operating advances; and creation costs, (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ -
Bonds issued	<u>3,660,000</u>
Bonds payable, end of year	<u><u>\$ 3,660,000</u></u>

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

As of May 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ -	\$ 188,520	\$ 188,520
2027	75,000	174,019	249,019
2028	80,000	168,488	248,488
2029	85,000	162,588	247,588
2030	90,000	156,319	246,319
2031	90,000	149,681	239,681
2032	95,000	143,044	238,044
2033	100,000	138,888	238,888
2034	105,000	134,513	239,513
2035	115,000	129,919	244,919
2036	120,000	124,888	244,888
2037	125,000	119,638	244,638
2038	130,000	114,169	244,169
2039	135,000	108,481	243,481
2040	145,000	102,575	247,575
2041	150,000	96,231	246,231
2042	160,000	89,481	249,481
2043	170,000	82,281	252,281
2044	175,000	74,631	249,631
2045	185,000	66,756	251,756
2046	195,000	58,431	253,431
2047	205,000	49,656	254,656
2048	215,000	40,688	255,688
2049	225,000	31,280	256,280
2050	240,000	21,437	261,437
2051	250,000	10,937	260,937
	<u>\$ 3,660,000</u>	<u>\$ 2,737,539</u>	<u>\$ 6,397,539</u>

Note 7 – Property Taxes

On November 3, 2020, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a rate limited to \$0.25 per \$200 of assessed value for the maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$1.15 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$754,317 on the adjusted taxable value of \$65,592,771.

Property taxes receivable, at May 31, 2025, consisted of the following:

Current year taxes receivable	\$	28,635
Penalty and interest receivable		3,723
Property taxes receivable	\$	<u>32,358</u>

Note 8 – Amended and Restated Water and Wastewater Service Agreement with Tomball Independent School District

On January 14, 2025, the District entered into an Amended and Restated Water and Wastewater Service Agreement (the "Agreement") with Tomball Independent School District ("TISD") to purchase capacity in, connect to, and utilize water and sanitary sewer facilities owned by TISD. The District is responsible for constructing, at its sole cost, facilities necessary to connect the District to TISD's water and sanitary sewer facilities. Upon completion of construction, the District is responsible for the operation and maintenance of the internal facilities. The term of the Agreement is 30 years. The Agreement amended and restated the terms of a prior agreement between the District and TISD to expand the service area, modify capital recovery fee costs, and increase the water and sanitary sewer capacity available to the District.

The District is responsible for billing and collecting capital recovery fees for each building constructed within the District's boundaries at an estimated rate of \$1,846.00 per equivalent single family connection ("ESFC") for water capacity and \$5,954 per ESFC for wastewater capacity. All fees derived from these charges are due and payable to TISD prior to each building connecting to TISD facilities. In the current fiscal year, the District paid TISD \$375,336 for capital recovery fees and \$271,666 for purchased services.

Note 9 – Contract for the Development and Purchase of Public Drinking Water and Sanitary Sewer Facilities with Quadvest, LP

Pursuant to a Contract for the Development and Purchase of Public Drinking Water and Sanitary Sewer Facilities and Transfer of Groundwater Interests in Harris County, Texas (the "Quadvest Contract"), certain developers within the District, namely Toll Southwest LLC and Tri Pointe Homes Texas, Inc., the District and Quadvest, LP, a Texas limited partnership and a state-certified retail public water utility/public drinking system and a state-permitted retail public sewer utility that possesses water and sewer certificates of convenience and necessity over a 99-acre tract within the District (the "DPR Tract"), Quadvest will be providing retail water and wastewater services to the area within the DPR Tract.

Harris County Municipal Utility District No. 572
Notes to Financial Statements
May 31, 2025

Under the Quadvest Contract, Quadvest will (i) expand existing water production facilities and related improvements and existing wastewater treatment plants and related facilities (the "Quadvest Plants") to serve the DPR Tract and (ii) the District will construct water mains and sanitary sewer mains, and a lift station and related improvements, and will provide Quadvest with the exclusive right to use such facilities during the time period that the District has bonds related to such facilities that are outstanding. As part of the consideration under the Quadvest Contract, Toll Southwest LLC and Tri Pointe Homes Texas, Inc. shall be responsible to pay Quadvest a total of \$700,000 as a contribution in aid of Quadvest's services and obligations under the Quadvest Contract. Quadvest is solely responsible for designing, financing and constructing any expansions of the Quadvest Plants in a manner and upon a timeframe that meets the anticipated public utility service demands upon the DPR Tract. An expansion of the Quadvest Plants in order to accommodate any additional capacity required for an additional approximately 320 single family homes upon the DPR Tract to be serviced by the Quadvest Plants is currently contemplated under the Quadvest Contract. Under the Quadvest Contract, Quadvest will also be responsible for the maintenance of each of the foregoing facilities. Quadvest will charge retail customers within the DPR Tract water and sewer rates according to the water and sewer tariffs approved by the Public Utilities Commission of Texas in effect at the time of service.

Note 10 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 11 – Concentration of Risk

Approximately 87% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

Required Supplementary Information

Harris County Municipal Utility District No. 572
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 12,000	\$ 197,905	\$ 185,905
Sewer service	167,000	149,988	(17,012)
Property taxes	225,000	724,929	499,929
Penalties and interest		15,352	15,352
Regional water authority fees		65,982	65,982
Tap connection and inspection		222,214	222,214
Miscellaneous	15,000	8,247	(6,753)
Investment earnings		8,434	8,434
Total Revenues	419,000	1,393,051	974,051
Expenditures			
Current service operations			
Purchased services	120,000	271,666	(151,666)
Professional fees	194,000	177,533	16,467
Contracted services	169,000	98,464	70,536
Repairs and maintenance	165,000	108,301	56,699
Administrative	22,940	27,594	(4,654)
Other	7,200	12,715	(5,515)
Capital outlay		462,523	(462,523)
Total Expenditures	678,140	1,158,796	(480,656)
Revenues Over (Under) Expenditures	(259,140)	234,255	493,395
Other Financing Sources			
Developer advances - capital recovery fees	260,000	375,336	115,336
Net Change in Fund Balance	860	609,591	608,731
Fund Balance			
Beginning of the year	1,636	1,636	
End of the year	\$ 2,496	\$ 611,227	\$ 608,731

Harris County Municipal Utility District No. 572
Notes to Required Supplementary Information
May 31, 2025

Budgets and Budgetary Accounting

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 572
TSI-1. Services and Rates
May 31, 2025

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 30.00	5,000	N	\$ 4.20	5,001	to 10,000
				\$ 4.40	10,001	to 15,000
				\$ 4.80	15,001	to 20,000
				\$ 5.00	20,001	no limit
Wastewater:	\$ 56.58	N/A	N	\$ 4.20	5,001	to 10,000
				\$ 4.40	10,001	to 15,000
				\$ 4.80	15,001	to 20,000
				\$ 5.00	20,001	no limit

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

Total charges per 10,000 gallons usage: Water \$ 51.00 Wastewater \$ 77.58

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	181	176	x 1.0	176
1"	1	1	x 2.5	3
1.5"	1	1	x 5.0	5
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	183	178		184
Total Wastewater	177	172	x 1.0	172

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-1. Services and Rates
May 31, 2025

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

*Gallons purchased from:	<u>30,876,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>30,701,000</u>	(Gallons billed / Gallons pumped)
		<u>99.43%</u>

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

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

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: _____

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

*Purchased from Tomball Independent School District.

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2025

Purchased services	\$ 271,666
Professional fees	
Legal	73,359
Audit	13,000
Engineering	91,174
	<u>177,533</u>
Contracted services	
Bookkeeping	14,668
Operator	46,615
Garbage collection	19,790
Tax assessor/collector	13,750
Appraisal district	3,641
	<u>98,464</u>
Repairs and maintenance	<u>108,301</u>
Administrative	
Directors fees	10,829
Printing and office supplies	2,259
Insurance	7,326
Other	7,180
	<u>27,594</u>
Other	<u>12,715</u>
Capital outlay	<u>462,523</u>
Total expenditures	<u><u>\$ 1,158,796</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-3. Investments
May 31, 2025

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
Debt Service			
TexPool	Variable	N/A	\$ 183,043
Capital Projects			
TexPool	Variable	N/A	<u>129,046</u>
Total - All Funds			<u><u>\$ 312,089</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-4. Taxes Levied and Receivable
May 31, 2025

	Maintenance Taxes
Taxes Receivable, Beginning of Year	\$ -
Adjustments to Prior Year Tax Levy	(753)
Adjusted Receivable	(753)
2024 Original Tax Levy	720,411
Adjustments	33,906
Adjusted Tax Levy	754,317
Total to be accounted for	753,564
Tax collections, net of refunds:	
Current year	725,682
Prior years	(753)
Total Collections	724,929
Taxes Receivable, End of Year	\$ 28,635

	2024	2023	2022
Property Valuations:			
Land	\$ 23,422,281	\$ 16,100,447	\$ 11,396,490
Improvements	42,935,774	5,434,123	365,123
Personal Property	1,482,020	73917	296,283
Exemptions	(2,247,304)	(2,115,815)	(1,913,554)
Total Property Valuations	\$ 65,592,771	\$ 19,492,672	\$ 10,144,342
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 1.15	\$ 1.15	\$ 1.15
Adjusted Tax Levy:	\$ 754,317	\$ 224,166	\$ 116,660
Percentage of Taxes Collected to Taxes Levied **	96.20%	100%	100%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 3, 2020

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2020

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-5. Long-Term Debt Service Requirements
Series 2025--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	\$ -	\$ 188,520	\$ 188,520
2027	75,000	174,019	249,019
2028	80,000	168,488	248,488
2029	85,000	162,588	247,588
2030	90,000	156,319	246,319
2031	90,000	149,681	239,681
2032	95,000	143,044	238,044
2033	100,000	138,888	238,888
2034	105,000	134,513	239,513
2035	115,000	129,919	244,919
2036	120,000	124,888	244,888
2037	125,000	119,638	244,638
2038	130,000	114,169	244,169
2039	135,000	108,481	243,481
2040	145,000	102,575	247,575
2041	150,000	96,231	246,231
2042	160,000	89,481	249,481
2043	170,000	82,281	252,281
2044	175,000	74,631	249,631
2045	185,000	66,756	251,756
2046	195,000	58,431	253,431
2047	205,000	49,656	254,656
2048	215,000	40,688	255,688
2049	225,000	31,280	256,280
2050	240,000	21,437	261,437
2051	250,000	10,937	260,937
	<u>\$ 3,660,000</u>	<u>\$ 2,737,539</u>	<u>\$ 6,397,539</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-6. Change in Long-Term Bonded Debt
May 31, 2025

	Bond Issue Series 2025
Interest rate	4.375% - 7.375%
Dates interest payable	4/1; 4/1
Maturity dates	4/1/27 - 4/1/51
Beginning bonds outstanding	\$ -
Bonds issued	<u>3,660,000</u>
Ending bonds outstanding	<u><u>\$ 3,660,000</u></u>
Interest paid during fiscal year	<u><u>\$ -</u></u>

Paying agent's name and city
Series 2025

BOKF, N.A., Dallas, Texas

	Water, Sewer and Drainage Bonds	Water, Sewer and Drainage, Refunding	Recreational Bonds	Recreational Refunding Bonds
Bond Authority:				
Amount Authorized by Voters	\$ 283,500,000	\$ 283,500,000	\$ 46,350,000	\$ 46,350,000
Amount Issued	(3,660,000)			
Remaining To Be Issued	<u><u>\$ 279,840,000</u></u>	<u><u>\$ 283,500,000</u></u>	<u><u>\$ 46,350,000</u></u>	<u><u>\$ 46,350,000</u></u>

	Road Bonds	Refunding Road Bonds
Bond Authority:		
Amount Authorized by Voters	\$ 145,500,000	\$ 145,500,000
Amount Issued		
Remaining To Be Issued	<u><u>\$ 145,500,000</u></u>	<u><u>\$ 145,500,000</u></u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of May 31, 2025:	<u>\$ 183,141</u>
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Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 246,059</u>
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See accompanying auditor's report.

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Harris County Municipal Utility District No. 572**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund****For the Last Five Fiscal Years**

	Amounts				
	2025	2024	2023	2022**	2021**
Revenues					
Water service	\$ 197,905	\$ 29,375	\$ 891	\$ -	\$ -
Sewer service	149,988	17,569	91		
Property taxes	724,929	227,864	113,714		
Penalties and interest	15,352	491			
Regional water authority fees	65,982				
Tap connection and inspection	222,214	309,063	47,976		
Miscellaneous	8,247	16,065	801		
Investment earnings	8,434	162	40		18
Total Revenues	1,393,051	600,589	163,513		18
Expenditures					
Current service operations					
Purchased services	271,666	173,784			
Professional fees	177,533	157,661	193,937	130,362	95,686
Contracted services	98,464	87,278	26,576	9,895	10,376
Repairs and maintenance	108,301	29,065	52,367	2,600	
Administrative	27,594	21,635	21,944	10,060	8,899
Other	12,715	10,200	6,670	2,611	234
Capital outlay	462,523	2,696,944	100,000		
Total Expenditures	1,158,796	3,176,567	401,494	155,528	115,195
Revenues Over (Under) Expenditures	\$ 234,255	\$ (2,575,978)	\$ (237,981)	\$ (155,528)	\$ (115,177)
Total Active Retail Water Connections	178	102	10	N/A	N/A
Total Active Retail Wastewater Connections	172	96	3	N/A	N/A

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022**	2021**
14%	5%	1%	-%	-%
11%	3%	*	-	-
52%	38%	70%	-	-
1%	*		-	-
5%			-	-
16%	51%	29%	-	-
1%	3%	*	-	-
1%	*	*	-	-
101%	100%	100%	-	-
20%	29%			
13%	26%	119%	-	-
7%	15%	16%	-	-
8%	5%	32%	-	-
2%	4%	13%	-	-
1%	2%	4%	-	-
33%	449%	61%	-	-
117%	530%	245%	-	-
(16%)	(430%)	(145%)	-%	-%

Harris County Municipal Utility District No. 572

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2025	2025
Investment earnings	\$ 43	100%
Expenditures		
Other	105	244%
Revenues Under Expenditures	\$ (62)	-144%

*Percentage is negligible

See accompanying auditor's report.

Harris County Municipal Utility District No. 572
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2025

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 20, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jonathan Sanders	05/22 - 05/26	\$ 1,768	\$ 290	President
Christopher J. Barnes	05/22 - 05/26	1,768	95	Vice President
Marcos Ramos	05/24 - 05/28	2,431	341	Secretary
Reid Derek Wendell	05/24 - 05/28	2,210	391	Assistant Vice President
Kara Jackson	05/22 - 05/26	2,652	495	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	12/2019	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 125,337		
<i>Bond counsel</i>		110,161		
Municipal Operations & Consulting, LLC	04/2024	167,311		Operator
District Data Services, Inc.	08/2022	16,232		Bookkeeper
Tax Tech, Inc.	12/2019	14,500		Tax Collector
Harris Central Appraisal District	Legislation	3,641		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/2023			Delinquent Tax Attorney
IDS Engineering Group	11/2019	133,266		Engineer
KGA/ DeForest Design, LLC	01/2023			Landscape Architect
McGrath & Co., PLLC	04/2023	20,500		Auditor
The GMS Group, LLC	12/2019	75,180		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT







APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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