OFFICIAL STATEMENT DATED OCTOBER 6, 2026

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein "TAX EXEMPTION," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."

The Bonds have **NOT** been designated as "Qualified Tax-Exempt Obligations" for financial institutions.

NEW ISSUE-Book-Entry Only

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

$13,290,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

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

UNLIMITED TAX BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 140 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Conroe, the Master District (as herein defined), or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

Dated Date: November 1, 2026 **Due: March 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of initial delivery (expected on or about November 4, 2026) (the "Date of Delivery"), and is payable each March 1 and September 1, commencing March 1, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

BAM BUILD AMERICA MUTUAL

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

MATURITY SCHEDULE

Principal Amount	Maturity (March 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (March 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 555,000	2029	61372R HC9	7.50 %	4.05 %	$ 555,000	2041 (a)	61372R HQ8	5.00 %	5.15 %
555,000	2030	61372R HD7	7.50	4.15	555,000	2042 (a)	61372R HR6	5.00	5.20
555,000	2031	61372R HE5	7.50	4.25	555,000	2043 (a)	61372R HS4	5.00	5.24
555,000	2032	61372R HF2	7.50	4.35	555,000	2044 (a)	61372R HT2	5.00	5.28
555,000	2033 (a)	61372R HG0	7.50	4.45	555,000	2045 (a)	61372R HU9	5.00	5.32
555,000	2034 (a)	61372R HH8	5.50	4.55	555,000	2046 (a)	61372R HV7	5.00	5.34
555,000	2035 (a)	61372R HJ4	5.00	4.65	550,000	2047 (a)	61372R HW5	5.00	5.36
555,000	2036 (a)	61372R HK1	5.00	4.75	550,000	2048 (a)	61372R HX3	5.00	5.37
555,000	2037 (a)	61372R HL9	5.00	4.85	550,000	2049 (a)	61372R HY1	5.00	5.38
555,000	2038 (a)	61372R HM7	5.00	5.00	550,000	2050 (a)	61372R HZ8	5.00	5.39
555,000	2039 (a)	61372R HN5	5.00	5.05	550,000	2051 (a)	61372R JA1	5.00	5.40
555,000	2040 (a)	61372R HP0	5.00	5.10	550,000	2052 (a)	61372R JB9	5.00	5.41

(a) Bonds maturing on or after March 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 4, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from The Muller Law Group, PLLC, Bond Counsel, 202 Century Square Boulevard, Sugar Land, Texas, 77478, for further information.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the par value thereof, which resulted in a net effective interest rate of 5.391942%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... Montgomery County Municipal Utility District No. 140 (the "District") was created pursuant to Acts 2013, 83rd Legislative Session, Regular Session Chapter 307 (HB 1492), Section 1, effective June 14, 2013, as codified in Chapter 8425, Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution.

The District included approximately 1,208 acres of land at creation. The District was divided into six municipal utility districts as authorized by Section 8425.154, Texas Special District Local Laws Code, pursuant to a Corrected Order Dividing District into Six Districts dated September 1, 2020. The District currently includes approximately 739 acres of land within its boundaries. The District is anticipated to annex an additional approximately 69 acres in October 2026.

Location... The District lies wholly within Montgomery County, Texas, and the extraterritorial jurisdiction of the City of Conroe (the "City"), and within the boundaries of the New Caney Independent School District. The District is approximately 35 miles north of downtown Houston and located between Interstate Highway 45 and U.S. Highway 69 south of Texas State Highway 99 (the "Grand Parkway"). The West Fork San Jacinto River forms the western boundary and Farm-to-Market 1314 is to the east of the District. The District is accessible from Texas State Highway 99. See "THE DISTRICT" and "AERIAL LOCATION MAP."

The Highlands... The District is one of six municipal utility districts within the approximately 2,319 acres being marketed as the master-planned community of The Highlands (the "Service Area"). Recreational amenities within The Highlands include a water park which includes two resort style pools, dive pools, a lazy river and water slides, tennis and pickleball courts, an open-air event pavilion, an event lawn, a full-time lifestyle director, more than 30 miles of biking and hiking trails, two lakes available for recreational use, a dog park, multiple children's parks, approximately 200 acres of nature preserve and beach along the San Jacinto River, and a clubhouse in the active-adult community. Additionally, a fitness center is currently under construction and expected to be completed in the fall of 2027. According to the Developer (as defined herein), a semi-private 18-hole golf course managed by Tour 18 Inc., has been developed within The Highlands, which includes an approximately 22,000 square foot clubhouse. All single-family residential development and recreational facilities are within the boundaries of the District, with the exception of the golf course and portions of the trails and nature preserves, which are located on acreage outside the District's boundaries within the Service Area. See "THE HIGHLANDS" and "THE DEVELOPER."

Water and Wastewater... Montgomery County Municipal Utility District No. 186 (the "Master District"), in its capacity as the provider of regional water, wastewater, storm sewer and drainage facilities ("Master District Water, Sewer, and Drainage Facilities"), regional park facilities ("Master District Park Facilities"), major regional road facilities ("Master District Road Facilities") and other regional facilities necessary to serve the Service Area, including the District (hereinafter collectively referred to as the "Master District Facilities"), has contracted with the District to construct and provide service from the Master District Facilities. The Master District owns and operates the Master District Facilities, with the exception of roads conveyed to and accepted by Montgomery County. See "THE ROAD SYSTEM." The District provides the internal water distribution, wastewater collection and storm drainage utilities within its boundaries. See "THE SYSTEM—The Master District Contract," and "—Master District Facilities/Wholesale Agreement with West Fork Utility Company, LLC."

The Master District provides or will provide all necessary potable water supply and wastewater treatment services to the District to meet the District's needs pursuant to the Master District Contract (defined herein). The Master District receives water supply and wastewater treatment services from West Fork Utility Company, LLC, pursuant to a Wholesale Agreement for Water and Wastewater Service, dated July 12, 2021, as amended by Amendment No. 1 to the Wholesale Agreement for Water and Wastewater Service dated February 13, 2023 (the "Wholesale Agreement"). The Wholesale Agreement provides water supply and wastewater treatment services to serve all of the Master District's Service Area.

The Developer… The principal developer of land within the District is CC SCOA III, LP, a Texas limited partnership (the "Developer"). See "THE DEVELOPER" and "TAX DATA—Principal Taxpayers."

Status of Development... Single-family residential development in the District consists of The Highlands, Sections One through Fourteen, Sections Sixteen through Twenty-One, and Model Park Phase Two (1,803 single-family residential lots developed on approximately 402 acres). There are approximately 64 acres (266 single-family residential lots in The Highlands, Sections Four, Ten, Sixteen, and Nineteen) that have been developed as an active adult/retirement community with home ownership restricted to purchasers age 55 or older. See "RISK FACTORS—Nature of Portions of District Development and Over 65/Disabled Exemption." As of August 31, 2026, 1,283 homes were completed (1,247 occupied), 241 new homes were under construction or in the name of a homebuilder and 279 developed lots were available for home construction in the District. An elementary school has been constructed on approximately 14 acres in the District and is exempt from ad valorem taxation. The remainder of the District consists of approximately 234 acres of developable but undeveloped land and approximately 89 acres of undevelopable land (utility sites, easements and recreational and open space). See "THE HIGHLANDS," "THE DISTRICT—Land Use" and "—Status of Development.

Homebuilding… Active homebuilding within the District is currently being performed by Newmark Homes, Lennar Homes Texas, Chesmar Homes, Ravenna Homes, Coventry Homes, Beazer Homes USA, David Weekley Homes, Highland Homes, Caldwell Homes, Drees Homes, Perry Homes, Village Builders, and Partners in Building. According to the Developer, home sales prices in the District range from approximately $350,000 to $1,400,000. See "THE DISTRICT—Homebuilding."

Payment Record... The District has previously issued $25,505,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in three series (the "Water, Sewer, and Drainage Bonds"), and $26,685,000 principal amount of unlimited tax bonds for road facilities in four series (the "Road Bonds"), of which $50,690,000 collectively remains outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. The District will capitalize $664,500 of interest from Bond proceeds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

THE BONDS

Description... The $13,290,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on March 1 in each of the years 2029 through 2052, both inclusive, in the principal amounts and accruing interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery and is payable March 1, 2027, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "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 and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption... Bonds maturing on or after March 1, 2033, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Bonds will be used to pay for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," including to pay interest on funds advanced by the Developer on behalf of the District; to capitalize $664,500 of interest from Bond proceeds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ; and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.

Authority for Issuance... The Bonds are the fourth series of bonds issued out of an aggregate of $121,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring water, sewer and drainage facilities. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 8425 of the Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."

Source of Payment... Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Montgomery County, the State of Texas, the Master District or any entity other than the District. See "THE BONDS—Source of Payment."

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

***Not** Qualified Tax-Exempt Obligations...* The Bonds have **not** been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX EXEMPTION—Other Tax Matters."

Bond Counsel... The Muller Law Group, PLLC, Sugar Land, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX EXEMPTION."

Financial Advisor... Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Disclosure Counsel... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$571,130,258	(a)
Estimated Taxable Assessed Valuation as of June 1, 2026	$654,191,166	(b)
Gross Direct Debt Outstanding	$ 63,980,000	(c)
Estimated Overlapping Debt	103,551,652	(d)
Gross Direct Debt and Estimated Overlapping Debt	$167,531,652	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	11.20%	
Estimated Taxable Assessed Valuation as of June 1, 2026	9.78%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	29.33%	
Estimated Taxable Assessed Valuation as of June 1, 2026	25.61%	
Funds Available for Debt Service:		
Water, Sewer and Drainage Debt Service Funds Available as of September 1, 2026	$ 471,372	(e)
Road Debt Service Funds Available as of September 1, 2026	459,155	(e)(f)
Capitalized Interest from proceeds of the Bonds	664,500	(e)(g)
Total Funds Available for Debt Service	$1,595,027	
Water, Sewer, and Drainage Capital Projects Funds Available as of September 1, 2026	$ 93,300	(h)
Road Capital Projects Funds Available as of September 1, 2026	$ 10,056	
Operating Funds Available as of September 1, 2026	$351,713	(i)
Contract Tax Funds Available as of September 1, 2026	$ 47,261	
2026 Debt Service Tax Rate	$0.590	
2026 Contract Tax Rate	0.515	
2026 Maintenance and Operations Tax Rate	0.145	
2026 Total Tax Rate	$1.250	
Average Annual Debt Service Requirement (2027-2052)	$4,040,207	(j)
Maximum Annual Debt Service Requirement (2029)	$4,786,904	(j)
Tax Rates Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$0.75	(k)
Based upon Estimated Taxable Assessed Valuation as of June 1, 2026	$0.66	(k)
Tax Rates Required to Pay Maximum Annual Debt Service (2029) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$0.89	(k)
Based upon Estimated Taxable Assessed Valuation as of June 1, 2026	$0.78	(k)
Status of Development as of August 31, 2026 (l):		
Total Completed Single-Family Residential Lots	1,803	
Homes Completed (1,247 Occupied)	1,283	
Homes Under Construction	241	
Lots Available for Home Construction	279	
Estimated Population	4,364	(m)

(a) The Montgomery Central Appraisal District (the "Appraisal District") has certified $531,840,777 of taxable value and an additional $39,289,481 of taxable value remains uncertified. The uncertified value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. The Appraisal District has informed the District that home values in multiple sections were omitted from the 2026 Taxable Assessed Valuation. The Appraisal District has confirmed that the missing value will be added to the District's tax roll this fall on supplemental tax rolls; however, the District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on June 1, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and June 1, 2026, will be certified as of January 1, 2027. See "TAXING PROCEDURES."

(c) Includes the Outstanding Bonds and the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Funds in the Water, Sewer and Drainage Debt Service Fund are available to pay debt service on the Water, Sewer, and Drainage Bonds, including the Bonds, and are not available to pay debt service on the Road Bonds. Funds in the Road Debt Service Fund are available to pay debt service on the Road Bonds and are not available to pay debt service on the Water, Sewer, and Drainage Bonds, including the Bonds. See "THE BONDS—Funds."

(f) Includes capitalized interest from the outstanding Road Bonds.

(g) The District will capitalize $664,500 of interest from Bond proceeds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(h) The District will contribute $92,000 of surplus Water, Sewer and Drainage Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(i) See "RISK FACTORS—Operating Funds."

(j) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(k) See "TAX DATA—Tax Adequacy for Debt Service" and "RISK FACTORS—Possible Impact on District Tax Rates."

(l) See "THE DISTRICT—Land Use" and "—Status of Development."

(m) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
(A political subdivision of the State of Texas located within Montgomery County)

$13,290,000

UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 140 (the "District") of its $13,290,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution; Chapter 8425 of the Texas Special District Local Laws Code; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"); and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, CC SCOA III, LP, a Texas limited partnership (the "Developer"), and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel, 202 Century Square Blvd., Sugar Land, Texas 77478.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated November 1, 2026 and will mature on the dates and in the amounts and accrue interest, beginning on the Date of Delivery, at the rates shown on the cover page hereof. Interest on the Bonds is payable March 1, 2027 and each September 1 and March 1 thereafter until stated maturity or prior redemption (each an "Interest Payment Date"). The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, (the "Paying Agent/Registrar"). Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed the Bank of New York Mellon Trust Company, N.A., Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Conroe (the "City"), the Master District (defined herein), or any entity other than the District.

Authority for Issuance

The Bonds are the fourth series of bonds issued out of an aggregate of $121,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring water, sewer and drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 8425 of the Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of the Bonds. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Funds

In the Bond Resolution, the Water, Sewer and Drainage 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.

The Water, Sewer and Drainage Debt Service Fund is available for payment of principal and interest on the Water, Sewer, and Drainage Bonds, including the Bonds. It is not available to pay principal or interest on the Road Bonds. The District also maintains a Road Debt Service Fund that is available for payment of debt service on the Road Bonds. It is not available to pay principal or interest on the Water, Sewer, and Drainage Bonds, including the Bonds.

$664,500 of capitalized interest, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ, shall be deposited into the Water, Sewer and Drainage Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Water, Sewer and Drainage Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs. Any monies remaining in the Water, Sewer and Drainage Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Water, Sewer and Drainage Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds.

Record Date

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

In the event of non-payment of interest on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, 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. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on March 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Transfer, Exchange and Registration

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

Replacement of 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, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Issuance of Additional Debt – Generally

The District may issue additional bonds necessary to provide water, sewer, drainage and parks and recreational facilities, subject to approval by the TCEQ. The TCEQ currently does not review and approve bonds issued to fund roads.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See “RISK FACTORS—Future Debt.”

Issuance of Additional Debt – Water, Sewer, and Drainage

At a bond election held within the District on May 1, 2021, the voters authorized the issuance of $121,500,000 principal amount of unlimited tax bonds for the purpose of constructing and acquiring water, sewer and drainage facilities and $12,150,000 for the refunding of such bonds. After the issuance of the Bonds, a total of $82,705,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities and all of the principal amount for refunding such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "RISK FACTORS—Future Debt."

The District is also responsible for the capital costs for its share of water, sewer, drainage, and storm sewer facilities (the "Master District Water, Sewer, and Drainage Facilities") serving the Master District Service Area. The Master District has issued Contract Revenue Bonds for the purpose of financing the Master District Water, Sewer, and Drainage Facilities. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued by the Master District for Master District Water, Sewer, and Drainage Facilities through the Contract Tax as described in "THE SYSTEM—The Master District Contract."

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. The qualified voters in the District have authorized the issuance of $26,600,000 principal amount of unlimited tax bonds for park and recreational facilities and $2,660,000 principal amount for the refunding of such bonds, all of which remains unissued. See "RISK FACTORS—Future Debt."

Before the District could issue park/recreational bonds payable from taxes, the following actions would be required: (a) approval of the park/recreational projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may not exceed an amount equal to three percent (3%) of the value of the taxable property in the District.

The District also is responsible for the capital costs for its share of park/recreational facilities (the "Master District Park Facilities") serving the Master District Service Area. The Master District is expected to issue Contract Revenue Bonds to finance the capital costs of designing and constructing the Master District Park Facilities. If the Master District issues Contract Revenue Bonds for Master District Park Facilities, the District would pay for its share of the debt service requirements on the Contract Revenue Bonds issued for Master District Park Facilities through the Contract Tax as described in "THE SYSTEM—The Master District Contract."

Financing Road Facilities

The District is authorized by statute to design, acquire, construct, finance, and issue bonds for roads. The qualified voters in the District have authorized the issuance of $85,900,000 principal amount of unlimited tax bonds for road facilities and $8,590,000 principal amount for the refunding of such bonds. A total of $59,215,000 principal amount of unlimited tax bonds for road facilities and all of the principal amount for refunding such bonds remains authorized but unissued. Before the District could issue road bonds, approval of the bonds by the Attorney General of Texas would be required. The TCEQ does not currently have rules in place regulating the review and approval of road bond issues by districts.

The District is also responsible for its share of the capital costs for certain regional road facilities serving the Master District Service Area (the "Master District Road Facilities"). The Master District has issued Contract Revenue Bonds to finance the capital costs of designing and constructing the Master District Road Facilities serving the Master District Service Area. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued by the Master District for Master District Road Facilities through the Contract Tax as described in "THE SYSTEM—The Master District Contract."

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.

Annexation and Strategic Partnership Agreement

The District is located within the extraterritorial jurisdiction of the City. Texas law provides that under certain circumstances, land within the District may be annexed by the City without the consent of the District, which annexation could modify the sources of and security for payment of the Bonds. If the entire District is so annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District. No representation is made that the City will ever annex all or part of the territory within the District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of the City to make debt service payments should assumption of the Bonds occur.

The District and the City entered into a Strategic Partnership Agreement ("SPA") effective January 28, 2021, whereby the City may, but is not required to, annex the District for full purposes at any time on or after the earlier of (i) the time the District has constructed the water, wastewater, drainage, detention, recreational and road facilities necessary to serve at least 95% of the developable land within the District and has fully reimbursed the District's developer(s) for such infrastructure, or (ii) December 31, 2045. The SPA further provides that the City at any time may annex territory in the District for the limited purposes of assessing and collecting the City's sales and use tax. If the City completes a limited purpose annexation of territory in the District, it has agreed to pay the District 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Texas Comptroller and received by the City from the Comptroller after the effective date of such limited-purpose annexation.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Pape-Dawson Engineers, Inc., the District's engineer (the "Engineer") and are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor prior to disbursement. Surplus funds, if any, may be expended for any authorized and lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I.	**CONSTRUCTION COSTS**	
	• Water, Sewer and Drainage Improvements to Serve:	
	The Highlands, Model Home Park Phase 2	$ 214,364
	The Highlands, Section Eleven-A	771,319
	The Highlands, Section Eleven-B	853,446
	The Highlands, Section Fourteen	840,217
	The Highlands, Section Sixteen	707,940
	The Highlands, Section Seventeen	3,315,044
	The Highlands, Section Eighteen	1,012,500
	The Highlands, Section Nineteen	936,310
	• Clearing	233,679
	• Engineering	1,391,707
	• Materials Testing	204,896
	• Stormwater Pollution Prevention Plan	293,286
	• Less: Surplus Funds (a)	(92,000)
	Total Construction Costs	**$ 10,682,708**
II.	**NON-CONSTRUCTION COSTS**	
	• Underwriter's Discount	$ 398,700
	• Capitalized Interest (b)	664,500
	• Developer Interest	969,867
	Total Non-Construction Costs	**$ 2,033,067**
III.	**ISSUANCE COSTS AND FEES**	
	• Issuance Costs and Professional Fees	$ 476,500
	• Bond Application Report	55,000
	• State Regulatory Fees	42,725
	Total Issuance Costs and Fees	**$ 574,225**
	TOTAL BOND ISSUE	**$ 13,290,000**

(a) The District will contribute $92,000 of surplus Water, Sewer and Drainage Capital Projects Funds toward the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

(b) The District will capitalize $664,500 of interest from proceeds of the Bonds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ notice or approval and the issuance of additional bonds may be required.

THE HIGHLANDS

The District is one of six municipal utility districts within the approximately 2,319 acres marketed as the master-planned community of The Highlands. Recreational amenities within The Highlands include a water park which includes two resort style pools, dive pools, a lazy river and water slides, tennis and pickleball courts, an open-air event pavilion, an event lawn, a full-time lifestyle director, more than 30 miles of biking and hiking trails, two lakes available for recreational use, a dog park, multiple children's parks, approximately 200 acres of nature preserve and beach along the San Jacinto River, and a clubhouse in the active-adult community. Additionally, a fitness center is currently under construction and expected to be completed in the fall of 2027. According to the Developer, a semi-private 18-hole golf course managed by Tour 18 Inc., has been developed within The Highlands, which includes an approximately 22,000 square foot clubhouse. All single-family residential development and recreational facilities are within the boundaries of the District, with the exception of the golf course and portions of the trails and nature preserves, which are located on acreage outside the District's boundaries within the Service Area.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created pursuant to Acts 2013, 83rd Legislative Session, Regular Session Chapter 307 (HB 1492), Section 1, effective June 14, 2013, as codified in Chapter 8425, Texas Special District Local Laws Code (the "Act"). The District operates under Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of sanitary sewer; the control and diversion of storm water; the provision roads and improvements in aid thereof; and the provision of park and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The TCEQ exercises continuing supervisory jurisdiction over the District. To comply with its consent ordinance for creation from the City, within the extraterritorial jurisdiction of which the District is located, the District is required to observe certain requirements of the City consent ordinance which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and recreational facilities and roads and related improvements; limit the net effective interest rate on such bonds and other terms of such bonds; and permit connections only to legally subdivided lots that are part of a recorded subdivision plat or otherwise exempt from the subdivision requirements of the City and Montgomery County. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Location and Acreage

The District lies wholly within Montgomery County, Texas, and within the extraterritorial jurisdiction of the City and within the boundaries of the New Caney Independent School District. The District is approximately 35 miles north of downtown Houston and located about midway between Interstate Highway 45 and U.S. Highway 69 south of Texas State Highway 99 (the "Grand Parkway"). The West Fork San Jacinto River forms the western boundary and Farm-to-Market 1314 is to the east of the District. The District is accessible from Texas State Highway 99. See "AERIAL LOCATION MAP."

The District included approximately 1,208 acres of land at creation. The District was divided into six municipal utility districts as authorized by Section 8425.154, Texas Special District Local Laws Code, pursuant to a Corrected Order Dividing District into Six Districts dated September 1, 2020. The District currently includes approximately 739 acres of land within its boundaries. The District is anticipated to annex an additional approximately 69 acres in October 2026.

Land Use

The District's land plan currently includes approximately 402 acres developed as 1,803 single-family residential lots, approximately 89 acres that are undevelopable consisting of utility sites, easements and recreational and open space and approximately 234 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District. See "Status of Development" below.

Single-Family Residential	Approximate Acres	Lots
The Highlands:		
Section One	23	96
Section Two	10	40
Section Three	29	178
Section Four	10	37
Section Five	17	55
Section Six	19	108
Section Seven	22	93
Section Eight	14	92
Section Nine	22	73
Section Ten	14	62
Section Eleven-A	10	67
Section Eleven-B	14	81
Section Twelve	17	64
Section Thirteen	21	76
Section Fourteen	26	127
Section Sixteen	12	54
Section Seventeen	37	179
Section Eighteen	19	63
Section Nineteen	28	113
Section Twenty	16	70
Section Twenty-One	18	61
Model Park Phase 2	4	14
Subtotal	402	1,803
School (a)	14	-
Future Development	234	-
Undevelopable (b)	89	-
Totals	739	1,803

(a) An elementary school, which is tax-exempt, has been constructed on approximately 14 acres.
(b) Represents utility sites, easements and recreational and open space.

Status of Development

Single-family residential development in the District consists of The Highlands, Sections One through Fourteen, Sections Sixteen through Twenty-One, and Model Park Phase Two (1,803 single-family residential lots developed on approximately 402 acres). There are approximately 64 acres (266 single-family residential lots in The Highlands, Sections Four, Ten, Sixteen, and Nineteen) that have been developed as an active adult/retirement community with home ownership restricted to purchasers age 55 or older. See "RISK FACTORS—Nature of Portions of District Development and Over 65/Disabled Exemption." As of August 31, 2026, 1,283 homes were completed (1,247 occupied), 241 new homes were under construction or in the name of a homebuilder and 279 developed lots were available for home construction in the District. An elementary school has been constructed on approximately 14 acres and is exempt from ad valorem taxation. The remainder of the District consists of approximately 234 acres of developable but undeveloped land and approximately 89 acres of undevelopable land (utility sites, easements and recreational and open space).

Homebuilders

Active homebuilding within the District is currently being performed by Newmark Homes, Lennar Homes Texas, Chesmar Homes, Ravenna Homes, Coventry Homes, Beazer Homes USA, David Weekley Homes, Highland Homes, Caldwell Homes, Drees Homes, Perry Homes, Village Builders, and Partners in Building. According to the Developer, home sales prices in the District range from approximately $350,000 to $1,400,000.

Future Development

The District is primarily being developed as a single-family residential development. Approximately 234 developable acres of land currently within the District are not yet served with water distribution and supply, wastewater collection and treatment, storm drainage facilities or roads. See "RISK FACTORS—Future Debt." The Engineer has stated that under regulatory criteria and current development plans, the remaining authorized but unissued bonds (after issuance of the Bonds) in the aggregate principal amount of $168,520,000 should be sufficient to finance the construction of facilities to complete the District's water, sewer, drainage, roads and recreation system for full development of the District.

THE DEVELOPER

General

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

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

CC SCOA III, LP

The developer in the District is CC SCOA III, LP, a Texas limited partnership (the "Developer"). The general partner of the Developer is controlled by Caldwell Companies, a developer of residential communities in Northwest Houston. The largest limited partnership interest (90%) in the Developer is held by an American investment subsidiary of the Sumitomo Corporation of Japan. The Developer has completed the development of The Highlands, Sections One through Fourteen, Sections Sixteen through Twenty-One, and Model Park Phase Two consisting of 1,803 single-family residential lots on approximately 402 acres. The Developer continues to own approximately 234 developable acres in the District for future development.

The Developer does not have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. See "TAX DATA—Principal Taxpayers."

Development Financing

The Developer has obtained financing for a portion of the development of the District through the National Finance Authority, a body politic and corporate created and existing under the laws of the State of New Hampshire (the "NFA"). The NFA issued $48,180,000 Special Revenue Bonds (The Highlands Project, Montgomery County, Texas Municipal Utility Districts), Series 2024 (the "NFA Bonds"), which are secured in part by the sale and assignment of the Developer's right to receive proceeds from the sale of future unlimited tax bonds, including the Bonds, issued by the District pursuant to the Master Development Financing Agreement between the District and Developer effective as of August 6, 2020, as amended. The District delivered a Consent to Sale and Assignment Agreement consenting to the Developer's assignment of a portion of its future receivables from District bond proceeds (issued on or after January 1, 2025), a Letter of Representations, and a Certificate of the District to the NFA with respect to the issuance of the NFA Bonds. According to the Developer, it is currently in compliance with all material representations and certifications made with respect to the NFA Bonds and has made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. One of the board members resides within the District and four board members own land within the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Kyle Atchison	President	May 2030
Mary Ellen Bare	Vice President	May 2030
Leticia Cortez	Secretary	May 2028
Glen Jordan	Assistant Secretary	May 2028
Timothy Hayes	Assistant Vice President	May 2028

District Consultants

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

Bond Counsel/Attorney: The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The District's financial statements for the fiscal year ended June 30, 2025, were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended June 30, 2025. The District has engaged McCall Gibson Swedlund Barfoot Ellis, PLLC to audit its financial statements for the fiscal year ended June 30, 2026.

Engineer: The District's consulting engineer is Pape-Dawson Engineers, Inc.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Bob Leared Interests (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Municipal Financial Management, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's internal water and wastewater system is Municipal Operations & Consulting, Inc.

THE SYSTEM

The Master District Contract

The District is part of a regional system (the "Master District System") in which the "Master District" (defined below) provides, finances, constructs, owns, operates, and/or maintains certain public regional water, sewer, drainage, road and park facilities ("Master District Facilities") to serve other municipal utility districts (each a "Participant") that i) are located within the Master District's Service Area (defined below), and ii) have entered into the Master District Contract (defined below) with the Master District and are receiving services from the Master District. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road and park facilities.

The Master District's "Service Area" is approximately 2,319 acres of land generally located in the vicinity of Texas State Highway 99 (the "Grand Parkway"), west of FM 1314 and east of the San Jacinto River in the extraterritorial jurisdiction of the City. There are currently 4 additional municipal utility districts other than the Master District and the District within the Service Area. These are Montgomery County Municipal Utility District No. 187 ("MUD 187"), Montgomery County Municipal Utility District No. 188 ("MUD 188"), Montgomery County Municipal Utility District No. 189 ("MUD 189"), and Montgomery County Municipal Utility District No. 190 ("MUD 190"). The District and MUD 189 have each entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract") with the Master District, which contract was approved by the voters of both districts, as required by law, at their respective elections, and are considered Participants. MUD 188 and MUD 190 are not actively developing and have not entered into the Master District Contract, and, therefore, are not considered Participants at this time; however, MUD 188 or MUD 190 may enter into the Master District Contract in the future. MUD 187 has called an election in November 2026 for voters to consider authorizing MUD 187 to enter into the Master District Contract. Upon a successful election, MUD 187 anticipates becoming a Participant in the fall of 2027.

Montgomery County Municipal Utility District No. 186 serves as the Master District for the Master District System. Currently, only the District and MUD 189 have entered into the Master District Contract and are currently the only Participants in the Master District System. The Participants are also the only municipal utility districts within the Service Area to be actively developing, except for MUD 187 which has called a November 2026 election where voters will consider approval of the Master District Contract. If and when development commences in any of the other municipal utility districts located within the Service Area, such districts will be requested to submit the Master District Contract to their respective voters for approval in order to receive the services and benefits that come with being part of the Master District System.

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

A Participant's pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

The Contract Tax is in addition to the direct total tax rate of the District. The Master District has issued $42,925,000 principal amount of Water, Sewer, and Drainage Contract Revenue Bonds (defined herein) and $13,390,000 principal amount of Road Contract Revenue Bonds (defined herein), of which $55,575,000 collectively remains outstanding, including $11,385,000 principal amount of Water, Sewer, and Drainage Contract Revenue Bonds which sold on September 14, 2026, and are expected to be issued on October 13, 2026. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro rata shares of the debt service payments on the Master District Bonds.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses, with each Participant's pro-rata share being calculated by dividing the number of water connections within such Participant by the number of water connections located within the boundaries of all Participants. Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. Each Participant is responsible for paying its pro-rata of the administrative expenses of the Master District, which it pays in the form of "Monthly Charges" invoiced monthly by the Master District.

Master District Facilities/Wholesale Agreement with West Fork Utility Company, LLC

Water Facilities: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional water facilities to the Participants within its Service Area, including the District. In order to provide potable water supply services to the District, the Master District has entered into the Wholesale Agreement for Water and Wastewater Service with West Fork Utility Company, LLC, an affiliate of the Developer ("West Fork"), dated July 12, 2021, as amended by Amendment No. 1 to the Wholesale Agreement for Water and Wastewater Service dated February 13, 2023 (the "Wholesale Agreement"), pursuant to which West Fork agrees to provide sufficient water supply capacity to serve up to 4,000 equivalent single-family connections ("ESFC"). Currently, West Fork has constructed a water plant with two water wells, one 190-gpm and one 730-gpm water well, two 320,000-gallon ground storage tanks, four 1000-gpm booster pumps, and two 15,578-gallon hydro-pneumatic tanks. The water wells are permitted by the Lone Star Groundwater Conservation District. The water plant is capable of serving 1,533 ESFCs, which is sufficient to serve the existing 1,524 ESFCs within the District (1,283 completed homes and 241 homes under construction or in the name of a builder). West Fork is obligated to expand the water plant as necessary and within the timeframe required to meet the needs of continued development within the District and Master District Service Area. The Master District has one emergency water interconnect with Montgomery County Municipal Utility District No. 56. West Fork has obtained approval from the Lone Star Groundwater Conservation District to construct a third water well. Upon completion of the third water well, the water plant will be capable of serving a total of 2,500 ESFCs.

Wastewater Facilities: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional wastewater facilities to the Participants within its Service Area, including the District. In order to provide wastewater treatment services to the District, the Master District has entered into the Wholesale Agreement. Pursuant to the Wholesale Agreement, West Fork agrees to provide sufficient wastewater treatment capacity to serve up to 4,000 ESFCs. Currently, West Fork has permitted and constructed a wastewater treatment plant to its ultimate condition (498,000 gallons per day) capable of serving up to 2,165 ESFCs, which is sufficient to serve the existing 1,524 ESFCs within the District (1,283 completed homes and 241 homes under construction or in the name of a builder). The original capacity calculation was calculated using an average usage factor per connection of 250 gallons per day. The current capacity calculation of 2,165 ESFCs was calculated using the reduced reduction rate of 230 gallons per day that was approved by TCEQ.

Wholesale Agreement: Pursuant to the Wholesale Agreement, the Master District is obligated to pay West Fork a $300,000 initial payment (the "Initial Payment") and connection charges for capacity in the West Fork water plant and West Fork wastewater plant (collectively, the "West Fork System"). The connection charges are to be paid as follows: $550 per platted water ESFC for the first 791 water ESFCs; and $550 per platted sewer ESFC for the first 1,000 sewer ESFCs, with such connection charges being due on the earlier of 1) receipt by the Master District of bond proceeds issued for the purpose of purchasing capacity in the West Fork System, or 2) 36 months following the date of the recording of the respective final plat. The cost of ESFCs in excess of 791 ESFCs for water or 1,000 ESFCs for sewer shall be equal to 25% of the design, permitting, and construction costs of any expansion(s) to the West Fork water plant and/or wastewater plant necessary to serve such additional ESFCs divided by the total number of additional ESFCs that may be served by such expansion. The Initial Payment shall be credited against the final $300,000 worth of connection charges due under the Wholesale Agreement. The Master District used a portion of proceeds from the outstanding Water, Sewer, and Drainage Contract Revenue Bonds to make the Initial Payment and to purchase a total of 1,003 ESFCs worth of capacity in the West Fork System. In addition to the Initial Payment and connection charges, the Wholesale Agreement provides that the Master District shall pay monthly usage charges to West Fork as follows: a volumetric rate of $3.70 per 1,000 gallons of actual metered water flow and a flat fee for sanitary sewer services in the amount of $37.00 per ESFC actually connected to the West Fork System, subject to future increases tied to the percentage of the increase in the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, which increases may commence in 2026. The District has not yet been notified by West Fork of an increase to the volumetric rates.

Regional Water Distribution and Wastewater Collection: Regional water distribution facilities consist of waterlines ranging from 6 inches to 16 inches. These potable water distribution facilities supply water received from the West Fork System to the internal water distribution facilities constructed by each Participant, including the District. The regional wastewater collection facilities include a lift station and sanitary sewer lines ranging in size from 6 inches to 12 inches. These collection lines collect waste from the internal facilities constructed by or on behalf of each Participant, including the District, and transport it to the West Fork System.

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

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the Developer on behalf of the District to serve 1,803 single-family residential lots and an elementary school constructed on approximately 14 acres. See "THE DISTRICT—Land Use" and "—Status of Development."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District's drainage system has been designed and constructed to all current applicable standards of all governmental entities with jurisdiction over the project. See "RISK FACTORS—Extreme Weather."

Atlas 14

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

General Operating Fund

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended June 30, 2022, through 2025 and an unaudited financial statement for the fiscal year ended June 30, 2026, provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended June 30				
	2026	2025	2024	2023	2022
	(Unaudited)				
REVENUES					
Property Taxes	$ 634,828	$ 313,207	$ 708,717	$ 501,788	$ 23,952
Water Service	776,351	612,497	416,174	225,868	69,025
Wastewater Service	987,812	711,928	409,601	230,203	75,215
Penalty and Interest	18,808	19,054	11,483	10,594	1,168
Tap Connection & Inspection	922,015	968,110	752,888	530,732	571,850
Non-Taxable User Fee	-	531,584 (a)	-	-	-
Investments	24,054	20,487	5,816	1,963	-
Miscellaneous	8,117	2,131	12,757	34,578	15,359
TOTAL REVENUES	$ 3,371,984	$ 3,178,998	$ 2,317,436	$ 1,535,726	$ 756,569
EXPENDITURES					
Professional Fees	$ 258,785	$ 219,661	$ 160,675	$ 160,916	$ 229,359
Contracted Services	32,027	17,999	15,215	28,063	50,208
Purchased Water Service	-	-	16,150	21,496	49,778
Purchased Regional Operator Services	1,142,749	981,702	856,327	597,842	-
Purchased Regional Capacity Services	2,011,968	1,082,821	935,053	777,158	-
Repairs and Maintenance	-	-	11,000	-	110,493
Utilities	663	1,325	1,225	-	-
Other	39,451	36,681	36,197	51,833	356,498
TOTAL EXPENDITURES	$ 3,485,643	$ 2,340,189	$ 2,031,842	$ 1,637,308	$ 796,336
NET REVENUES	$ (113,659)	$ 838,809	$ 285,594	$ (101,582)	$ (39,767)
OTHER FINANCING SOURCES (USES)					
Developer Advances (b)	$ -	$ -	$ -	$ 400,000	$ 210,000
Transfers In (Out)	$ -	$ -	$ (68,490) (c)	$ -	$ -
NET CHANGE IN FUND BALANCE	$ (113,659)	$ 838,809	$ 217,104	$ 298,418	$ 170,233
General Operating Fund Balance (Beginning of Year)	$ 1,517,897	$ 679,088	$ 461,984	$ 163,566	$ (6,667)
General Operating Fund Balance (End of Year)	$ 1,404,238	$ 1,517,897	$ 679,088	$ 461,984	$ 163,566

(a) Represents the revenue received in connection with the non-taxable user utility fee for the elementary school constructed in the District.
(b) See "RISK FACTORS—Operating Funds."
(c) Represents a transfer to the District's Capital Projects Fund.

THE ROAD SYSTEM

The District's road system ("Roads") consists of 4 collector roads (Highlands Parkway, Highland Pines Drive, Mirror Lake Circle, Cumberland Boulevard) and internal streets. Highlands Parkway is the entrance to the District from the Grand Parkway and Cumberland Boulevard connects the District to existing Cumberland Boulevard that ultimately connects to Farm-to-Market 1314. The Grand Parkway ultimately connects to Interstate Highway 45 and U.S. Highway 59, and Farm-to-Market 1314 connects to U.S. Highway 59. All roadways are designed and constructed in accordance with Montgomery County's and the City's, standards, rules, and regulations. Upon acceptance by Montgomery County, Montgomery County is responsible for the operation and maintenance of the Roads.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$571,130,258	(a)
Estimated Taxable Assessed Valuation as of June 1, 2026	$654,191,166	(b)
Gross Direct Debt Outstanding	$ 63,980,000	(c)
Estimated Overlapping Debt	103,551,652	(d)
Gross Direct Debt and Estimated Overlapping Debt	$167,531,652	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	11.20%	
Estimated Taxable Assessed Valuation as of June 1, 2026	9.78%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	29.33%	
Estimated Taxable Assessed Valuation as of June 1, 2026	25.61%	
Funds Available for Debt Service:		
Water, Sewer and Drainage Debt Service Funds Available as of September 1, 2026	$ 471,372	(e)
Road Debt Service Funds Available as of September 1, 2026	459,155	(e)(f)
Capitalized Interest from proceeds of the Bonds	664,500	(e)(g)
Total Funds Available for Debt Service	$1,595,027	
Water, Sewer, and Drainage Capital Projects Funds Available as of September 1, 2026	$ 93,300	(h)
Road Capital Projects Funds Available as of September 1, 2026	$ 10,056	
Operating Funds Available as of September 1, 2026	$351,713	(i)
Contract Tax Funds Available as of September 1, 2026	$ 47,261	

(a) The Appraisal District has certified $531,840,777 of taxable value and an additional $39,289,481 of taxable value remains uncertified. The uncertified value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. The Appraisal District has informed the District that home values in multiple sections were omitted from the 2026 Taxable Assessed Valuation. The Appraisal District has confirmed that the missing value will be added to the District's tax roll this fall on supplemental tax rolls; however, the District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on June 1, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and June 1, 2026, will be certified as of January 1, 2027. See "TAXING PROCEDURES."

(c) Includes the Outstanding Bonds and the Bonds. See "—Outstanding Debt" herein.

(d) See "—Estimated Overlapping Debt" herein.

(e) Funds in the Water, Sewer and Drainage Debt Service Fund are available to pay debt service on the Water, Sewer, and Drainage Bonds, including the Bonds, and are not available to pay debt service on the Road Bonds. Funds in the Road Debt Service Fund are available to pay debt service on the Road Bonds and are not available to pay debt service on the Water, Sewer, and Drainage Bonds, including the Bonds. See "THE BONDS—Funds."

(f) Includes capitalized interest from proceeds of the outstanding Road Bonds.

(g) The District will capitalize $664,500 of interest from Bond proceeds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(h) The District will contribute $92,000 of surplus Water, Sewer and Drainage Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(i) See "RISK FACTORS—Operating Funds."

Investments of the District

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

Outstanding Debt

The District has previously issued three series of unlimited tax bonds for acquiring or constructing water, sewer, and drainage facilities (Water, Sewer, and Drainage Bonds) and four series of unlimited tax road bonds for acquiring or constructing road facilities ("Road Bonds"), $50,690,000 of which remains outstanding as of the date hereof (collectively, the "Outstanding Bonds"). The following table lists the original principal amount of the Outstanding Bonds and the Outstanding Bonds.

Series		Original Principal Amount	Oustanding Bonds
2022		$ 5,905,000	$ 5,405,000
2023	(a)	6,000,000	5,605,000
2023A	(a)	5,500,000	5,240,000
2024		7,960,000	7,615,000
2024	(a)	7,825,000	7,825,000
2025	(a)	7,360,000	7,360,000
2025		11,640,000	11,640,000
Total		$ 52,190,000	$ 50,690,000

(a) Unlimited tax road bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that $664,500 of interest, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ, will be capitalized from Bond proceeds to pay debt service on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service	Plus: Debt Service on The Bonds			Total Debt Service
		Principal	Interest	Total	
2027	$ 3,293,916.25	$ -	$ 607,736.25	$ 607,736.25	$ 3,901,652.50
2028	3,535,816.25	-	736,650.00	736,650.00	4,272,466.25
2029	3,516,066.25	555,000	715,837.50	1,270,837.50	4,786,903.75
2030	3,502,838.75	555,000	674,212.50	1,229,212.50	4,732,051.25
2031	3,491,601.25	555,000	632,587.50	1,187,587.50	4,679,188.75
2032	3,482,773.75	555,000	590,962.50	1,145,962.50	4,628,736.25
2033	3,479,240.00	555,000	549,337.50	1,104,337.50	4,583,577.50
2034	3,485,371.25	555,000	513,262.50	1,068,262.50	4,553,633.75
2035	3,500,958.75	555,000	484,125.00	1,039,125.00	4,540,083.75
2036	3,507,377.50	555,000	456,375.00	1,011,375.00	4,518,752.50
2037	3,524,302.50	555,000	428,625.00	983,625.00	4,507,927.50
2038	3,545,536.88	555,000	400,875.00	955,875.00	4,501,411.88
2039	3,556,449.38	555,000	373,125.00	928,125.00	4,484,574.38
2040	3,572,327.50	555,000	345,375.00	900,375.00	4,472,702.50
2041	3,597,189.38	555,000	317,625.00	872,625.00	4,469,814.38
2042	3,605,836.25	555,000	289,875.00	844,875.00	4,450,711.25
2043	3,614,149.38	555,000	262,125.00	817,125.00	4,431,274.38
2044	3,636,678.75	555,000	234,375.00	789,375.00	4,426,053.75
2045	3,652,608.13	555,000	206,625.00	761,625.00	4,414,233.13
2046	3,666,510.63	555,000	178,875.00	733,875.00	4,400,385.63
2047	3,682,900.00	550,000	151,250.00	701,250.00	4,384,150.00
2048	3,276,443.75	550,000	123,750.00	673,750.00	3,950,193.75
2049	1,873,665.63	550,000	96,250.00	646,250.00	2,519,915.63
2050	1,330,562.50	550,000	68,750.00	618,750.00	1,949,312.50
2051	1,330,662.50	550,000	41,250.00	591,250.00	1,921,912.50
2052	-	550,000	13,750.00	563,750.00	563,750.00
Total	$ 82,261,783.13	$ 13,290,000	$ 9,493,586.25	$ 22,783,586.25	$ 105,045,369.38

Average Annual Debt Service Requirements (2027-2052) $4,040,207
Maximum Annual Debt Service Requirement (2029) $4,786,904

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Montgomery County	$ 535,450,000	8/31/2026	0.40%	$ 2,141,800
Lone Star College System	338,975,000	8/31/2026	0.12%	406,770
New Caney Independent School District	876,990,000	8/31/2026	5.18%	45,428,082
Master District (a)	55,575,000	8/31/2026	100.00%	55,575,000
Total Estimated Overlapping Debt				$ 103,551,652
The District's Total Direct Debt (b)				63,980,000
Total Direct and Estimated Overlapping Debt				$ 167,531,652

Direct and Estimated Overlapping Debt as a Percentage of:
2026 Taxable Assessed Valuation of $571,130,258 ..... 29.33%
Estimated Taxable Assessed Valuation as of June 1, 2026, of $654,191,166 ..... 25.61%

(a) Includes $11,385,000 principal amount of Contract Revenue Bonds which sold on September 14, 2026, and are expected to be issued by the Master District on October 13, 2026.
(b) Includes the Outstanding Bonds and the Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2026 tax year by all taxing jurisdictions overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County	$ 0.3860
Montgomery County Hospital District	0.0458
New Caney Independent School District	1.2393
Lone Star College System	0.1058
Montgomery County ESD No. 6	0.1000
Total Overlapping Tax Rate	$ 1.8769
The District (a)	1.2500
Total Tax Rate	$ 3.1269

(a) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

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

Contract Tax

The Master District has the statutory authority and voter authorization of each of the Participants, including the District, to issue Master District Bonds. Each Participant's pro rata share of the debt service requirements on the Master District Bonds is determined by dividing each Participant's certified assessed value by the total of all the Participants' certified assessed valuation. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Master District Bonds from the proceeds of an annual unlimited Contract Tax, from revenues derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. The debt service requirement includes principal, interest and redemption requirements on the Master District Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond documents pursuant to which the Master District Bonds are issued. See "Historical Tax Rate Distribution" below and "THE SYSTEM—The Master District Contract" and "RISK FACTORS—Overlapping Master District Debt and Contract Tax."

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the bonds issued by the District. An election was held within the District on May 1, 2021, which authorized the levy of a maintenance tax not to exceed $1.50 per $100 of assessed valuation. At an election held within the District on May 1, 2021, voters authorized the Board to levy a maintenance tax for operations and maintenance costs of road facilities at a rate not to exceed $0.25 per $100 of assessed valuation.

Historical Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service Tax	$ 0.590	$ 0.610	$ 0.420	$ 0.470	$ -
Contract Tax	0.515	0.480	0.720	0.360	-
Maintenance and Operations Tax	0.145	0.160	0.110	0.420	1.250
Total District Tax Rate	$ 1.250	$ 1.250	$ 1.250	$ 1.250	$ 1.250

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District 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 (April 1 for personal property), but not later than May 1 of that year, and that remain delinquent on 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.

Historical Tax Collections

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

	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections As of August 31, 2026 (b) Amount	Percent
2021	$ 1,473,310	$ 1.25	$ 18,416	$ 18,416	100.00%
2022	41,427,449	1.25	517,843	517,843	100.00%
2023	169,831,891	1.25	2,122,899	2,120,011	99.86%
2024	293,502,122	1.25	3,668,777	3,632,382	99.01%
2025	439,418,804	1.25	5,492,735	5,259,733 (c)	95.76% (c)
2026	571,130,258	1.25	7,139,128	(d)	(d)

(a) As certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below.
(b) Unaudited.
(c) The Appraisal District added approximately $59 million of taxable value to the District's 2025 tax roll after the January 31, 2026 property tax payment due date; therefore, the deadline for payment of such taxes has been extended. The District is in the process of collecting the tax revenue associated with such value.
(d) In process of collections. Taxes for 2026 are due by January 31, 2027.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2023 through 2026 Taxable Assessed Valuations. Accurate breakdowns related to the uncertified portion ($39,289,481) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 1, 2026, of $654,191,166 are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Land	$ 126,271,936	$ 100,025,552	$ 73,158,488	$ 52,875,317
Improvements	469,272,005	377,636,566	242,995,686	128,195,262
Personal Property	7,049,461	3,387,634	969,690	465,289
Gross Assessed Valuation	$ 602,593,402	$ 481,049,752	$ 317,123,864	$ 181,535,868
Less: Exemptions	(70,752,625)	(41,630,948)	(23,621,742)	(11,703,977)
Uncertified Value	39,289,481	-	-	-
Total	$ 571,130,258	$ 439,418,804	$ 293,502,122	$ 169,831,891

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion ($531,840,777) of the 2026 Certified Taxable Assessed Valuation of $571,130,258. Accurate principal taxpayer lists related to the uncertified portion ($39,289,481) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 1, 2026, of $654,191,166 are not available. The Appraisal District has informed the District that home values in multiple sections were omitted from the 2026 Taxable Assessed Valuation. The Appraisal District has confirmed that the missing value will be added to the District's tax roll this fall on supplemental tax rolls; however, the District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
CC SCOA III LP (a)	$ 9,201,655	1.73%
Weekley Homes LLC (b)	4,887,023	0.92%
Perry Homes LLC (b)	4,656,557	0.88%
Ravenna Homes LLC (b)	2,862,791	0.54%
Newmark Homes Houston LLC (b)	2,528,420	0.48%
Caldwell Homes Texas LP (a)(b)	2,277,615	0.43%
Beazer Homes of Texas LP (b)	2,214,029	0.42%
Drees Custom Homes LP (b)	1,839,000	0.35%
Highland Homes Houston LLC (b)	1,809,294	0.34%
Chesmar Homes (b)	1,551,510	0.29%
Total	$ 33,827,894	6.36%

(a) See "THE DEVELOPER."
(b) See "THE DISTRICT—Homebuilding."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the 2026 Taxable Assessed Valuation of $571,130,258 ($531,840,777 of certified value plus $39,289,481 of uncertified value), or the Estimated Taxable Assessed Valuation as of June 1, 2026, of $654,191,166. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Possible Impact on District Tax Rates" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2027-2052)	$4,040,207
$0.75 Tax Rate on the 2026 Taxable Assessed Valuation	$4,069,303
$0.66 Tax Rate on the Estimated Taxable Assessed Valuation as of June 1, 2026	$4,101,779
Maximum Annual Debt Service Requirement (2029)	$4,786,904
$0.89 Tax Rate on the 2026 Taxable Assessed Valuation	$4,828,906
$0.78 Tax Rate on the Estimated Taxable Assessed Valuation as of June 1, 2026	$4,847,557

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation will not be adjusted downward prior to certification by the Appraisal District or that the Estimated Taxable Assessed Valuation as of June 1, 2026, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, the District's pro-rata share of Master District Bonds, and any additional bonds payable from taxes which the District or Master District may hereafter issue (see "RISK FACTORS—Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS—Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA—Debt Service Tax," "—Contract Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and manufactured homes, are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; most individually owned automobiles and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. For tax year 2026, the District has granted a $10,000 exemption for individuals disabled and/or 65 years of age or older. The District may be required to offer such exemptions if a majority of

voters approve the same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse of a deceased veteran who had received a disability rating of 100%, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies, under certain conditions, to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption in the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions 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. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District does not currently grant a residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating not later than 175 days after the person acquired or imported the property into the State.

A "Goods-in-Transit" Exemption is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and 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, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods- in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

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 formally 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. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all 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.

Valuation of Property for Taxation

Unless extended by the Texas Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,320,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

The Property Tax Code authorizes a temporary tax exemption for certain damaged property in governor-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I – at least 15%, but less than 30% (minimal damage), Level II – at least 30%, but less than 60% (nonstructural damage), Level III – at least 60%, but less than 100% (significant structural damage), or Level IV – 100% (total loss). The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage (Level I – 15%, Level II – 30%, Level III – 60%, and Level IV – 100%), which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year.

Property owners are entitled to the exemption if the Governor of Texas (the "Governor") declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration. The exemption expires on January 1 of the first tax year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the 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 which 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 value, appraisals which 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, 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, except set forth herein with respect to residential homesteads. 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% of the amount of the delinquent tax 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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 and discounts for early payment under certain circumstances which, at the option of the District, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. 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 continues to accrue during the period of deferral.

Certain qualified taxpayers, including 1) owners of residential homesteads or certain properties used for residential purposes, located in a disaster or emergency area and which has been damaged by the disaster or emergency, and 2) certain qualified business entities that own or lease real and/or tangible property, located in a disaster or emergency area and which has been damaged by the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District on taxes imposed on the property prior to the first anniversary of the disaster or emergency if the business entity 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 before the first day of the sixth month after the delinquency date.

Additionally, certain qualified business entities that own or lease real and/or tangible property located in a disaster or emergency area and which has not been damaged by the disaster or emergency, may be permitted by a taxing jurisdiction such as the District, at the taxing jurisdiction's discretion, to enter into a tax payment installment agreement on taxes imposed on the property prior to the first anniversary of the disaster or emergency under the same terms as set forth in the paragraph directly above.

A property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than 10 days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: For the 2026 tax year, the District made the determination of its status as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. In the absence of federal law, the District's tax lien takes priority over a tax lien of the United States. 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, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property that was used as the residence homestead of the owner, certain land designated for agricultural use, or a mineral interest sold at a tax sale to a purchaser other than a taxing unit within two years of the date on which the purchaser's deed at the foreclosure sale is filed in the county records. For all other real property, a taxpayer may redeem the property not later than the 180th day following the date on which the purchaser's or taxing unit's deed is filed for record. The District's ability to attach or foreclose a tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—General" and "—Tax Collections."

RISK FACTORS

General

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

Undeveloped Acreage and Vacant Lots

There are approximately 234 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. In addition, approximately 279 developed lots are served with utilities but remain vacant. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. Future increases in value will result primarily from construction of homes by builders. Failure of the Developer to develop the developable land or of builders to build taxable improvements on the lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

Developer Obligation to the District

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

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences, undeveloped land and of developed lots which are currently being marketed by the Developer for sale to homebuilders and homebuyers for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. The District is located in Montgomery County, within the extraterritorial jurisdiction of the City, and the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston region metropolitan area economy.

Credit Markets and Liquidity in the Financial Markets

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

Competition

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

The competitive position of the Developer in the sale of developed lots and the construction of single-family residential houses within the District by homebuilders is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District.

The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Increase in Costs of Building Materials

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

Operating Funds

The District's current primary source of operating revenue is maintenance tax revenue and advances from the Developer. The District levied a 2026 total tax rate in the amount of $1.25 per $100 of taxable assessed valuation with $0.145 allocated to maintenance and operations. The District's Operating Fund balance as of September 1, 2026 was $351,713. The revenue produced from maintenance tax rate revenue is not expected to be sufficient to offset the operating expenses of the District. Continued maintenance of a positive Operating Fund balance may depend upon (1) cash subsidies from the Developer, and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. See "THE DEVELOPER," "THE SYSTEM—General Operating Fund" and "TAX DATA—Principal Taxpayers."

Overlapping Master District Debt and Contract Tax

The Master District is a political subdivision of the State of Texas, created pursuant to a Corrected Order Dividing District Into Six Districts, adopted by the District on September 1, 2020, and operates pursuant to Chapter 8425 of the Texas Special District Local Laws Code and Chapters 49 and 54 of the Texas Water Code, as amended. The Master District also serves as a provider of the Master District Facilities to serve the Service Area, which includes, in addition to the Master District and District, the following municipal utility districts: MUD 187, MUD 188, MUD 189, and MUD 190. The District and MUD 189 have each entered into the Master District Contract, and are considered Participants. MUD 188 and MUD 190 are within the Service Area, but are undeveloped and have not entered into a Master District Contract but may do so in the future and, therefore, are not considered Participants at this time. MUD 187 has called an election in November 2026 for voters to consider authorizing MUD 187 to enter into the Master District Contract. Upon a successful election, MUD 187 anticipates becoming a Participant in the fall of 2027. Only municipal utility districts within the Service Area that have approved the Master District Contract, and whose voters have approved such contract, and are receiving services form the Master District are considered Participants entitled to receive Master District Services. See "THE SYSTEM—Master District Contract."

The Master District has issued contract revenue bonds for the purpose of constructing, purchasing or acquiring regional water, sanitary sewer, and drainage facilities ("Water, Sewer, and Drainage Contract Revenue Bonds") in the principal amount of $42,925,000, of which $42,390,000 collectively remains outstanding, including $11,385,000 principal amount of Water, Sewer, and Drainage Contract Revenue Bonds which sold on September 14, 2026, and are expected to be issued on October 13, 2026. The Master District expects to issue additional Water, Sewer, and Drainage Contract Revenue Bonds in the future. Additionally, the Master District has issued contract revenue bonds for the purpose of constructing, purchasing or acquiring roads and related improvements ("Road Contract Revenue Bonds") in the principal amount of $13,390,000, $13,185,000 of which collectively remains outstanding. The Master District expects to issue additional Road Contract Revenue Bonds in the future. The Master District is also authorized to issue contract revenue bonds for the purpose of constructing, purchasing or acquiring regional parks and recreational facilities ("Park Contract Revenue Bonds"). All issuances of contract revenue bonds are pursuant to an indenture of trust. The Master District Contracts obligate each

Participant to pay a pro rata share of the debt service on the Water, Sewer, and Drainage Contract Revenue Bonds, the Park Contract Revenue Bonds, and the Road Contract Revenue Bonds based upon the Gross Certified Appraised Value of each Participant as a percentage of the Gross Certified Appraised Value of all Participants, calculated annually. Each Participant is obligated to make such payments ("Water, Sewer, and Drainage Contract Payments," "Park Contract Payments," and "Road Contract Payments," respectively) from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries ("Water, Sewer, and Drainage Contract Tax," "Park Contract Tax," and "Road Contract Tax," respectively), from revenues derived from the operations of such Participant's water distribution and wastewater collection system, or from any other lawful source of such Participant's income. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond resolution or indenture pursuant to which the Master District's Contract Revenue Bonds are issued.

The Water, Sewer, and Drainage Contract Tax, Park Contract Tax, and the Road Contract Tax are referred to herein collectively as the "Contract Tax;" the Road Contract Revenue Bonds, Park Contract Revenue Bonds, and Water, Sewer, and Drainage Contract Revenue Bonds are referred to herein collectively as the "Contract Revenue Bonds;" and the Road Contract Payment, Park Contract Payments, and Water, Sewer, and Drainage Contract Payment are referred to herein collectively as the "Contract Payment."

The District levied a $0.48 Contract Tax in 2025. The Contract Tax is in addition to the direct total tax rate of the District. The District cannot represent whether any of the development planned or occurring in the Service Area will be successful or whether the appraised valuation of the land located within the Service Area will justify payment of the Contract Tax by property owners. Increases in the Contract Tax rate could have an adverse impact upon future development and home sales within the District and in the willingness of owners of property located within the District to pay ad valorem taxes levied the District, including the Contract Tax.

The Contract Tax rate and debt service tax rate that may be required to service debt on any bonds issued by the District or the Master District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each, regulatory approvals, construction costs and interest rates. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Montgomery County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Montgomery County limit the projected combined total tax rate of entities levying a tax for water, sewer, drainage, roads and recreational facilities to $1.50 per $100 of taxable assessed valuation. In the case of the District, the total combined tax rate under current TCEQ rules includes only the tax rate of the District. The current tax rate of the District is consistent with the rules of the TCEQ. If the total combined tax rate of the District, including the Contract Tax, should ever exceed $1.50 per $100 of taxable assessed valuation, the District and the Master District could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of the TCEQ. See "Possible Impact on District Tax Rates" below and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt Statement" and "—Overlapping Taxes."

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Taxable Assessed Valuation is $571,130,258 ($531,840,777 of certified value plus $39,289,481 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $4,786,904 (2029), and the average annual debt service requirement will be $4,040,207 (2027-2052 inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of $0.89 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and $0.75 per $100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements. The Estimated Taxable Assessed Valuation as of June 1, 2026, is $654,191,166, which reduces the above calculations to $0.78 and $0.66, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation will not be adjusted downward prior to certification by the Appraisal District or the Estimated Taxable Assessed Valuation as of June 1, 2026, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Nature of Portions of District Development and Over 65/Disabled Exemption

There are approximately 64 acres (266 single-family residential lots in The Highlands, Sections Four, Ten, Sixteen, and Nineteen) that have been developed as an active adult/retirement community with home ownership restricted to purchasers age 55 or older. See "THE DISTRICT—Land Use." Pursuant to Texas law, the District may by its own action, exempt $3,000 or more of the residential homestead value of persons sixty-five (65) years or older or disabled. Such exemption is to be considered annually, and once authorized may be repealed, decreased or increased by the Board or by a process of petition and referendum. The District may be required to offer such exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard such exemption 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. Any tax exemption reduces the taxable value and a reduction in taxable value may result in an increase in the tax rate of the District. For the tax year 2026, the District granted a $10,000 exemption for individuals 65 years of age and/or older or disabled.

Additionally, pursuant to Texas law, the owner of the residential homestead property who is (i) a person sixty-five (65) years of age or older (ii) disabled or (iii) qualified as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of the taxes without penalty during the time of ownership if the resident files an affidavit with the Appraisal District. Such deferral prohibits the filing of a lawsuit to collect delinquent taxes until such time as the taxpayer no longer owns and occupies the property as a residence homestead. If a lawsuit to collect taxes is filed prior to the filing of such an affidavit, the taxpayer may obtain an abatement of such suit until such time as the taxpayer no longer owns and occupies the property as a residential homestead. Taxes and interest continue to accrue against the property and the lien securing such taxes and interest remains in existence during the deferral or abatement period. Because a portion of the District has been developed as an active adult/retirement community and a portion of the property owners within the District could be over 65 years of age or older or disabled, it is possible that deferrals and payment installments could significantly delay the collection of property taxes pledged for the payment of principal and interest on the Bonds. A significant amount of deferments and split payments could require a tax rate increase to compensate for the loss of timely tax revenue needed for the payment of debt service. See "TAXING PROCEDURES— Property Subject to Taxation" and "—Levy and Collection of Taxes."

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

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

Specific Flood Type Risks

The District is subject to the following flood risks:

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, or levee, or reservoir.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial 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, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). 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 assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or the 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 statutory 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, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds and the Outstanding 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.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If 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 the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. The District's voters have authorized a total of $121,500,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sewer, and drainage facilities and $12,150,000 principal amount for refunding such bonds, $85,900,000 principal amount of unlimited tax bonds for the purpose of constructing and acquiring road facilities and $8,590,000 principal amount for refunding such bonds, and $26,600,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and $2,660,000 principal amount for refunding such bonds. After the issuance of the Bonds, $82,705,000 principal amount of the unlimited tax bonds for water, sewer and drainage facilities, $59,215,000 principal amount of the unlimited tax bonds for road facilities, all of the bonds for park and recreational facilities and all of the bonds for refunding purposes will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developer has advanced certain funds for construction of facilities for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately $6,000,000 (excluding land costs and interest) to the Developer for water, sewer, and drainage facilities and approximately $7,920,000 for road facilities. The District intends to issue additional bonds in order to reimburse the Developer and other landowners for existing development. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may not exceed an amount equal to three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, sewer, and drainage facilities and park and recreational facilities is subject to approval by the TCEQ (as defined herein) pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt – Water, Sewer, and Drainage," —Financing Parks and Recreational Facilities," and "—Financing Road Facilities."

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Marketability of the Bonds

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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 retroactive to the date of original issuance. See "TAX EXEMPTION."

Cybersecurity

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy") for the Bonds. At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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

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

LEGAL MATTERS

Legal Proceedings

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include a copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the levy of ad valorem taxes without limitation as to rate or amount. The District will also furnish the legal opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Texas Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes as further described in "TAX EXEMPTION."

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS—Legal Proceedings," "TAX EXEMPTION," and "CONTINUING DISCLOSURE (except under the sub-heading "Compliance with Prior Undertakings")," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, 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, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

No Material Adverse Change

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

TAX EXEMPTION

Opinion of Bond Counsel

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

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

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

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

Alternative Minimum Tax

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

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

Other Tax Matters

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

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

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

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

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

Original Issue Discount

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

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

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

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

MUNICIPAL BOND RATING

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

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Pape-Dawson Engineers, Inc. and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The District's financial statements for the fiscal year ended June 30, 2025 were audited by McCall Gibson Swedlund Barfoot Ellis PLLC. See "APPENDIX A" for a copy of the District's June 30, 2025, financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—General Operating Fund" has been provided by the District's bookkeeper, Municipal Financial Management, Inc., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond 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 events, to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)", (except under the subheading "Estimated Overlapping Debt Statement" and "Overlapping Taxes"), "TAX DATA," and "APPENDIX A." The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 ("Rule") of the United State Securities and Exchange Commission ("SEC"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, 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 holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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 (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District 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 Registered or 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 from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of 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 made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment 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 Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. 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

Since its first issuance of Bonds in 2022, the District has had no known failures to comply in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

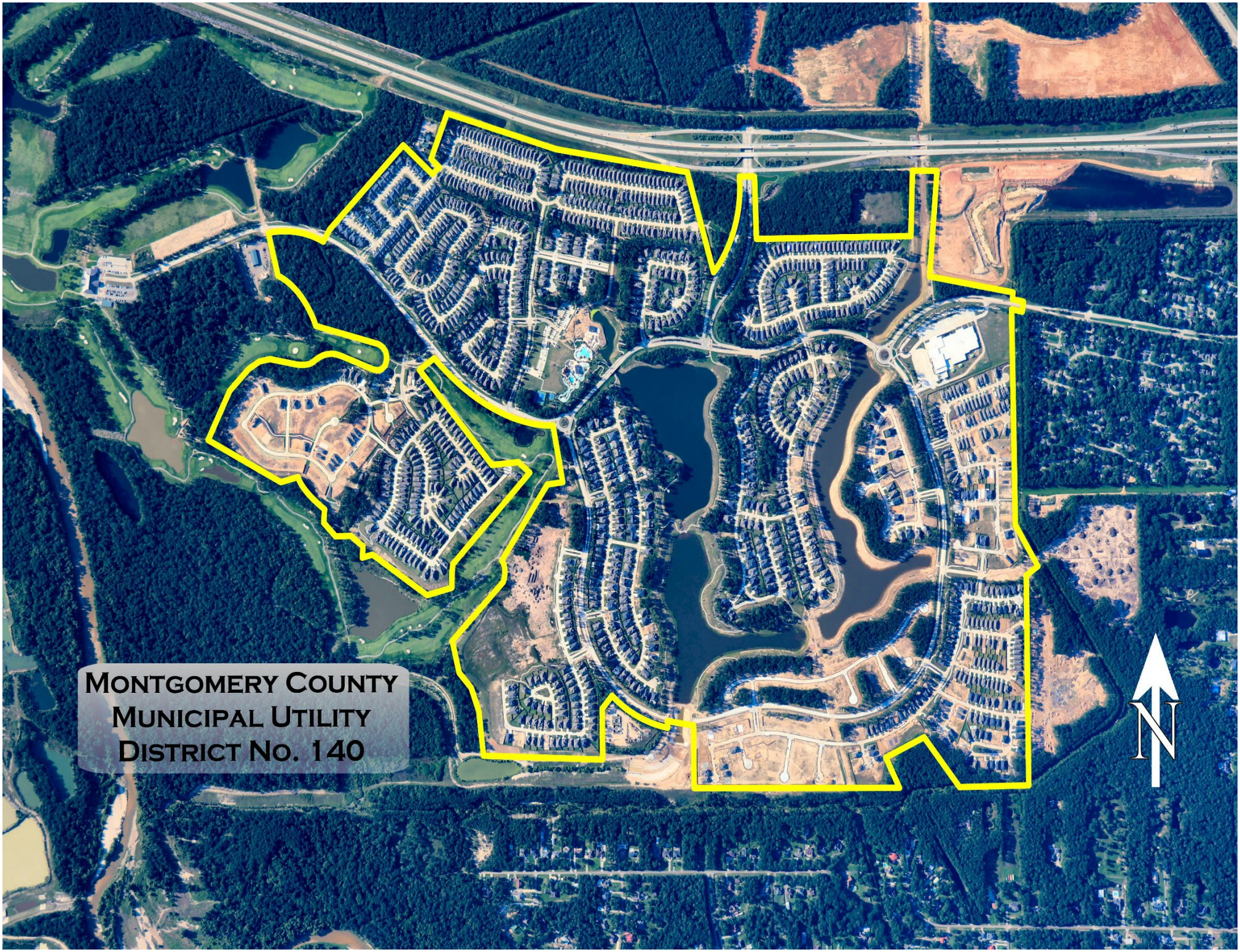
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not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

/s/ Kyle Atchison
President, Board of Directors

ATTEST:

/s/ Leticia Cortez
Secretary, Board of Directors

AERIAL LOCATION MAP
(As of July 2026)


Montgomery County
Municipal Utility
District No. 140
N

PHOTOGRAPHS OF THE DISTRICT
(As of July 2026)

Great Falls

THE HIGHLANDS
Drees
832.478.4367
AVAILABLE

THE HIGHLANDS
CALDWELL

THE HIGHLANDS
COVENTRY HOMES
713.597.8802
SOLD

APPENDIX A

Financial Statement of the District for the fiscal year ended June 30, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 140
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 140 (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Houston | Austin | Dallas
13100 Wortham Center Drive, Suite 235, Houston, Texas 77065-5610 713-462-0341

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Montgomery County Municipal Utility District No. 140

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

October 7, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Management's discussion and analysis of Montgomery County Municipal Utility District No. 140's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $26,528,971 as of June 30, 2025. A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services. A comparative analysis of government-wide changes in the Statement of Net Position is presented below:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 7,435,422	$ 3,332,663	$ 4,102,759
Capital Assets (Net of Accumulated Depreciation)	16,390,140	13,672,951	2,717,189
Total Assets	$ 23,825,562	$ 17,005,614	$ 6,819,948
Due to Developer	$ 7,716,397	$ 8,087,060	$ 370,663
Bonds Payable	40,507,488	25,533,969	$ (14,973,519)
Other Liabilities	2,130,648	1,107,448	(1,023,200)
Total Liabilities	$ 50,354,533	$ 34,728,477	$ (15,626,056)
Net Position:			
Net Investment in Capital Assets	$ (29,430,220)	$ (19,110,623)	$ (10,319,597)
Restricted	1,597,747	1,098,299	499,448
Unrestricted	1,303,502	289,461	1,014,041
Total Net Position	$ (26,528,971)	$ (17,722,863)	$ (8,806,108)

The following table provides a summary of the District's operations for the years ended June 30, 2025, and June 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 3,565,012	$ 2,114,210	$ 1,450,802
Charges for Services	2,875,427	1,605,821	1,269,606
Other Revenues	112,821	72,590	40,231
Total Revenues	$ 6,553,260	$ 3,792,621	$ 2,760,639
Expenses for Services	15,359,368	7,071,256	(8,288,112)
Change in Net Position	$ (8,806,108)	$ (3,278,635)	$ (5,527,473)
Net Position, Beginning of Year	(17,722,863)	(14,444,228)	(3,278,635)
Net Position, End of Year	$ (26,528,971)	$ (17,722,863)	$ (8,806,108)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2025, were $5,769,988, an increase of $3,168,884 from the prior year.

The General Fund fund balance increased by $838,809, primarily due to property tax revenues and service revenues exceeding operating costs.

The Debt Service Fund balance increased by $588,084, primarily due to capitalized interest from the Series 2024 Road and Series 2025 Road bonds.

The Capital Projects Fund fund balance increased by $1,741,991, primarily due to unspent proceeds from the Series 2024 Road and Series 2025 Road bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended to decrease budgeted water and wastewater revenues. Actual revenues were $693,489 more than budgeted revenues. Actual expenditures were $39,611 less than budgeted expenditures. Developer advances were $450,000 less than budgeted. This resulted in a positive budget variance of $283,100. For more details, refer to the budget versus actual comparison.

CAPITAL ASSETS

Capital assets as of June 30, 2025, total $16,390,140 (net of accumulated depreciation) and include the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2025	2024	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Water System	$ 2,218,812	$ 1,813,638	$ 405,174
Wastewater System	4,346,239	3,827,666	518,573
Drainage System	9,825,089	8,031,647	1,793,442
Total Net Capital Assets	$ 16,390,140	$ 13,672,951	$ 2,717,189

LONG-TERM DEBT ACTIVITY

As of June 30, 2025, the District had total bond debt payable of $40,205,000. The changes in debt position of the District during the fiscal year ended June 30, 2025, are summarized as follows:

Bond Debt Payable, July 1, 2024	$ 25,275,000
Add: Bond Sales	15,185,000
Less: Bond Principal Paid	255,000
Bond Debt Payable, June 30, 2025	$ 40,205,000

The District's bonds do not carry an underlying rating. The Series 2022 bonds do not carry an insured rating. The Series 2023 Road and Series 2025 Road bonds carry an insured rating of "AA" from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2023A Road, Series 2024 and Series 2024 Road bonds carry an insured rating of "AA" from S&P by virtue of bond insurance issued by Assured Guaranty. The above ratings reflect all rating changes during the fiscal year ending June 30, 2025.

As of June 30, 2025, the District recorded an amount due to Developer of $7,716,397 which consists of operating advances of $224,079 and completed projects funded by the Developer in the amount of $7,492,318.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 140, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas, 77478.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 119,403	$ 1,153,842
Investments	1,086,726	1,929,796
Receivables:		
Property Taxes	9,684	92,767
Penalty and Interest on Delinquent Taxes		
Service Accounts	367,779	
Due from Other Funds	206,498	
Due from Other Governmental Units	36,475	
Advance for Master District Operations	270,700	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 2,097,265	$ 3,176,405

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 256,741	$ 1,529,986	$	$ 1,529,986
2,098,640	5,115,162		5,115,162
	102,451		102,451
		12,869	12,869
	367,779		367,779
	206,498	(206,498)	
	36,475		36,475
	270,700		270,700
		16,390,140	16,390,140
$ 2,355,381	$ 7,629,051	$ 16,196,511	$ 23,825,562

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 25,397	$
Accrued Interest Payable		
Due to Other Governmental Units	377,632	979,948
Due to Developer		
Due to Other Funds		30,563
Due to Taxpayers		482
Security Deposits	166,655	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	$ 569,684	$ 1,010,993
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 9,684	$ 92,767
FUND BALANCES		
Nonspendable:		
For Master District Operations	$ 270,700	$
Restricted for Authorized Construction		
Restricted for Debt Service		2,072,645
Unassigned	1,247,197	
TOTAL FUND BALANCES	$ 1,517,897	$ 2,072,645
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,097,265	$ 3,176,405
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 25,397	$	$ 25,397
		580,534	580,534
	1,357,580		1,357,580
		7,716,397	7,716,397
175,935	206,498	(206,498)	
	482		482
	166,655		166,655
		560,000	560,000
		39,947,488	39,947,488
$ 175,935	$ 1,756,612	$ 48,597,921	$ 50,354,533
$ -0-	$ 102,451	$ (102,451)	$ -0-
$	$ 270,700	$ (270,700)	$
2,179,446	2,179,446	(2,179,446)	
	2,072,645	(2,072,645)	
	1,247,197	(1,247,197)	
$ 2,179,446	$ 5,769,988	$ (5,769,988)	$ -0-
$ 2,355,381	$ 7,629,051		
		$ (29,430,220)	$ (29,430,220)
		1,597,747	1,597,747
		1,303,502	1,303,502
		$ (26,528,971)	$ (26,528,971)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds		$ 5,769,988
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		16,390,140
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		115,320
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (7,716,397)	
Accrued Interest Payable	(580,534)	
Bonds Payable	(40,507,488)	(48,804,419)
Total Net Position - Governmental Activities		$ (26,528,971)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 313,207	$ 3,180,227
Water Service	612,497	
Wastewater Service	711,928	
Penalty and Interest	19,054	24,942
Tap Connection and Inspection Fees	968,110	
Non-Taxable User Fee	531,584	
Investment Revenues	20,487	74,132
Miscellaneous Revenues	2,131	1,310
TOTAL REVENUES	$ 3,178,998	$ 3,280,611
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 219,661	$ 5,856
Contracted Services	17,999	41,101
Purchased Regional Operator Services	981,702	
Utilities	1,325	
Purchased Regional Capacity Services	1,082,821	
Depreciation		
Other	36,681	5,302
Developer Interest		
Capital Outlay		
Conveyance of Assets		
Debt Service:		
Bond Principal		255,000
Bond Interest		1,269,142
Bond and Bond Anticipation Note Issuance Costs		
District's Share of Montgomery County Municipal Utility District No. 186's Bond Debt Requirement		1,959,895
TOTAL EXPENDITURES/EXPENSES	$ 2,340,189	$ 3,536,296

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 3,493,434	$ 71,578	$ 3,565,012
	612,497		612,497
	711,928		711,928
	43,996	7,312	51,308
	968,110		968,110
	531,584		531,584
14,761	109,380		109,380
	3,441		3,441
$ 14,761	$ 6,474,370	$ 78,890	$ 6,553,260
$	$ 225,517	$ (175,921)	$ 49,596
	59,100		59,100
	981,702		981,702
	1,325		1,325
	1,082,821		1,082,821
		397,742	397,742
660	42,643		42,643
841,166	841,166		841,166
10,537,578	10,537,578	(10,537,578)	
		7,227,905	7,227,905
	255,000	(255,000)	
	1,269,142	156,633	1,425,775
1,289,698	1,289,698		1,289,698
	1,959,895		1,959,895
$ 12,669,102	$ 18,545,587	$ (3,186,219)	$ 15,359,368

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	$ 838,809	$ (255,685)
OTHER FINANCING SOURCES		
Proceeds from Issuance of Long-Term Debt	$	$ 843,769
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES	$ -0-	$ 843,769
NET CHANGE IN FUND BALANCES	$ 838,809	$ 588,084
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2024	679,088	1,484,561
FUND BALANCES/NET POSITION - JUNE 30, 2025	$ 1,517,897	$ 2,072,645

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$ (12,654,341)	$ (12,071,217)	$ 3,265,109	$ (8,806,108)
$ 14,341,231	$ 15,185,000	$ (15,185,000)	$
(248,194)	(248,194)	248,194	
303,295	303,295	(303,295)	
$ 14,396,332	$ 15,240,101	$ (15,240,101)	$ -0-
$ 1,741,991	$ 3,168,884	$ (3,168,884)	$
		(8,806,108)	(8,806,108)
437,455	2,601,104	(20,323,967)	(17,722,863)
$ 2,179,446	$ 5,769,988	$ (32,298,959)	$ (26,528,971)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Governmental Funds	$ 3,168,884
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	71,578
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	7,312
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(397,742)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	10,713,499
Assets conveyed to other governmental entities are recorded as expenses in the Statement of Activities.	(7,227,905)
Governmental funds report bond premiums as other financing sources in the year received and bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(55,101)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	255,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(156,633)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(15,185,000)
Change in Net Position - Governmental Activities	$ (8,806,108)

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

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 140 (the "District") was created effective June 14, 2013, pursuant to House Bill No. 1492 in the 83rd Regular Session of the Texas Legislature in accordance with Article III, Section 52 and article XVI, Section 59 of the Texas Constitution. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on June 2, 2020.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has contracted with Montgomery County Municipal Utility District No. 186 (the "Master District") for the financing, operation, and maintenance of regional water, wastewater, drainage and road facilities. These facilities are under the oversight of the Master District's Board of Directors and financial activity of the Master District has been included in the financial statements of the District as a note disclosure (see Note 8). Copies of the financial statements for the Master District may be obtained from Montgomery County Municipal Utility District No. 186's attorney.

Financial Statement Presentation

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

* Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

* Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

* Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2025, the Debt Service Fund owes the General Fund $30,563 for maintenance tax collections and the Capital Projects Fund owes the General Fund $175,935 for bond issuance costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation.

Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

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

Pensions

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2022	Series 2023 Road	Series 2023A Road
Amount Outstanding – June 30, 2025	$ 5,685,000	$ 5,875,000	$ 5,500,000
Interest Rates	4.60% - 5.15%	4.00% - 6.50%	4.25% - 6.75%
Maturity Date	September 1, 2025/2047	September 1, 2025/2048	September 1, 2025/2048
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2028*	September 1, 2029*	September 1, 2029*

	Series 2024	Series 2024 Road	Series 2025 Road
Amount Outstanding – June 30, 2025	$ 7,960,000	$ 7,825,000	$ 7,360,000
Interest Rates	3.25% - 5.75%	4.00% - 6.50%	4.00% - 6.00%
Maturity Date	September 1, 2025/2048	March 1, 2027/2049	March 1, 2027/2051
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2030*	March 1, 2031*	March 1, 2031*

* Or on any date thereafter, in whole or part, at a price of par value plus accrued interest to the date fixed for redemption. Series 2022 term bonds due September 1, 2036, 2039, 2043, and 2047 are subject to mandatory redemption beginning September 1, 2034, 2037, 2040, and 2044, respectively. Series 2023 Road term bonds due September 1, 2032, 2042, 2044, and 2048 are subject to mandatory redemption beginning September 1, 2030, 2041, 2043, and 2045, respectively. Series 2023A Road term bonds due September 1, 2031, 2033, 2035, 2037, 2044, 2046, and 2048 are subject to mandatory redemption beginning September 1, 2029, 2032, 2034, 2036, 2043, 2045, and 2047, respectively. Series 2024 term bonds due September 1, 2039, 2041, 2043, and 2047 are subject to mandatory redemption beginning September 1, 2038, 2040, 2042, and 2044, respectively. Series 2025 Road term bonds due March 1, 2040, 2049, and 2051 are subject to mandatory redemption beginning March 1, 2039, 2048, and 2050, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2025:

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	$ 25,275,000	$ 15,185,000	$ 255,000	$ 40,205,000
Unamortized Discounts	(263,703)	(248,194)	(15,383)	(496,514)
Unamortized Premiums	522,672	303,295	26,965	799,002
Total Bonds Payable, Net	$ 25,533,969	$ 15,240,101	$ 266,582	$ 40,507,488

Amount Due Within One Year	$ 560,000
Amount Due After One Year	39,947,488
Total Bonds Payable, Net	$ 40,507,488

As of June 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 560,000	$ 1,785,554	$ 2,345,554
2027	950,000	1,779,117	2,729,117
2028	995,000	1,720,797	2,715,797
2029	1,045,000	1,659,404	2,704,404
2030	1,090,000	1,595,472	2,685,472
2031-2035	6,365,000	7,023,511	13,388,511
2036-2040	8,090,000	5,464,601	13,554,601
2041-2045	10,315,000	3,542,631	13,857,631
2046-2050	10,305,000	1,120,449	11,425,449
2051	490,000	20,825	510,825
	$ 40,205,000	$ 25,712,361	$ 65,917,361

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

During the year ended June 30, 2025, the District levied an ad valorem debt service tax rate of $0.42 per $100 of assessed valuation, which resulted in a tax levy of $1,199,349 on the adjusted taxable valuation of $285,559,161 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

NOTE 3. LONG-TERM DEBT (Continued)

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

As of June 30, 2025, the District had authorized but unissued bonds in the amount of $107,635,000 for the purchase or construction of water, sewer and drainage facilities and $12,150,000 for the refunding of such bonds, $26,600,000 for the purchase or construction of parks and recreational facilities and $2,660,000 for the refunding of such bonds and $59,215,000 for the purchase or construction of road facilities and $8,590,000 for the refunding of such bonds.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District covenants that the system shall be maintained in good condition and operated in an efficient manner at a reasonable cost. Further, the District covenants to maintain insurance on such parts of the System as is usually insured by municipal corporations and political subdivisions in Texas operating similar facilities.

The bond resolutions state that the District is required to provide continuing disclosure of annual financial information and operating data with respect to the District. This information is required to be provided to the Municipal Securities Rulemaking Board. The information along with the audited annual financial statements, is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $1,529,986 and the bank balance was $1,535,503. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet at June 30, 2025, as listed below:

	Cash
GENERAL FUND	$ 119,403
DEBT SERVICE FUND	1,153,842
CAPITAL PROJECTS FUND	256,741
TOTAL DEPOSITS	$ 1,529,986

Investments

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

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of June 30, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 1,086,726	$ 1,086,726
DEBT SERVICE FUND		
TexPool	$ 1,929,796	$ 1,929,796
CAPITAL PROJECTS FUND		
TexPool	2,098,640	2,098,640
TOTAL INVESTMENTS	$ 5,115,162	$ 5,115,162

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025, the District's investment in TexPool was rated AAAm by Standard and Poor's.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025:

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Subject to Depreciation				
Water System	$ 1,923,215	$ 458,686	$	$ 2,381,901
Wastewater System	4,062,106	623,104		4,685,210
Drainage System	8,567,607	2,033,141		10,600,748
Total Capital Assets Subject to Depreciation	$ 14,552,928	$ 3,114,931	$ -0-	$ 17,667,859
Accumulated Depreciation				
Water System	$ 109,577	$ 53,512	$	$ 163,089
Wastewater System	234,440	104,531		338,971
Drainage System	535,960	239,699		775,659
Total Accumulated Depreciation	$ 879,977	$ 397,742	$ -0-	$ 1,277,719
Total Capital Assets, Net of Accumulated Depreciation	$ 13,672,951	$ 2,717,189	$ -0-	$ 16,390,140

NOTE 7. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended June 30, 2025, the District levied an ad valorem maintenance tax rate of $0.11 per $100 of assessed valuation, which resulted in a tax levy of $314,115 on the adjusted taxable valuation of $285,559,161 for the 2024 tax year.

On May 1, 2021, the voters of the District approved the levy and collection of a road maintenance tax not to exceed $0.25 per $100 of assessed valuation to be used for construction and maintaining the District's roads. As of June 30, 2025, the District has not levied a road maintenance tax.

NOTE 8. REGIONAL FACILITIES

The District is part of a regional system (the "Master District System") in which the "Master District" (defined below) provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road and park facilities ("Master District Facilities") to serve other municipal utility districts (each a "Participant") that i) are located within the Master District's Service Area (defined below) and, ii) have entered into the Master District Contract (defined below) with the Master District. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road and park facilities.

NOTE 8. REGIONAL FACILITIES (Continued)

There are currently four additional municipal districts other than the Master District and the District within the Service area. These are Montgomery County Municipal Utility District Nos. 187, 188, 189, and 190; however, these districts are not actively developing, have not entered into the Master District Contract, as defined below, and therefore, are not considered Participants at this time.

Montgomery County Municipal Utility District No. 186 ("MUD 186" or the "Master District") serves as the Master District for the Master District System. Currently, only the District has entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") with MUD 186.

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

A Participant's pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants. At this time, as the only Participant, the District's share of debt service payments on any Master District Bonds is 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

The Master District sold bonds in the principal amount of $6,610,000 during the 2023 fiscal year, $19,390,000 during the 2024 fiscal year and $8,430,000 in the current fiscal year. The District is responsible for levying a contract tax on all taxable property within its boundaries sufficient to pay 100% of the debt service payments on such Master District Bonds until such time as other municipal utility districts within the Service Area have commenced development and approved the Master District Contract, at which time they will be deemed Participants and will fund their pro rata shares of the debt service payments along with the District.

NOTE 8. REGIONAL FACILITIES (Continued)

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses, with each Participants' share being calculated based upon its share of total share of water connections located within the boundaries of all Participants. Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. Currently, as the only Participant, the District is responsible for paying all of the administrative expenses of the Master District, which it pays in the form of "Monthly Charges" invoiced monthly by the Master District.

W*ater Facilities*: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional water facilities to the Participants within its Service Area, including the District. In order to provide potable water supply services to the District, the Master District has entered into a Wholesale Agreement for Water and Wastewater Service with West Fork Utility Company, LLC ("West Fork"), dated July 12, 2021, as amended by Amendment No. 1 to the Wholesale Agreement for Water and Wastewater Service dated February 13, 2023 (the "Wholesale Agreement"), pursuant to which West Fork agrees to provide sufficient water supply capacity to serve up to 4,000 equivalent single-family connections ("ESFC"). Currently, West Fork has constructed a water plant with two water wells, one 190 gallons per minute and one 730 gallons per minute, a hydropneumatics tank and a ground storage tank. These water wells are permitted by the Lone Star Groundwater Conservation District. The water plant is capable of serving 1,533 ESFCs, which is sufficient to serve the existing 1,130 ESFCs within the District (958 completed homes and 172 homes under construction or in the name of a builder). West Fork is obligated to expand the water plant as necessary and within the timeframe required to meet the needs of continued development within the District and Master District Service Area. The Master District has one emergency water interconnect with Montgomery County Municipal Utility District No. 56.

Wastewater Facilities: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional wastewater facilities to the Participants within its Service Area, including the District. In order to provide wastewater treatment services to the District, the Master District has entered into the Wholesale Agreement. Pursuant to the Wholesale Agreement, West Fork agrees to provide sufficient wastewater treatment capacity to serve up to 4,000 equivalent single-family connections ("ESFC"). Currently, West Fork has permitted and constructed a wastewater treatment plant capable of serving up to 1,000 ESFCs, which is sufficient to serve the existing 1,130 ESFCs within the District (958 completed homes and 172 homes under construction or in the name of a builder). The original capacity calculation of 1,000

NOTE 8. REGIONAL FACILITIES (Continued)

ESFCs was calculated using an average usage factor per connection of 250 gallons per day. This wastewater treatment plant has been in operation for over 3 years and using the last 3 years of flow data supplied by the operator, it has been determined that the actual usage per connection is 117 gallons per day. Therefore, the actual current operation of the wastewater treatment plant has capacity to serve 2,128 ESFCs. West Fork is currently constructing a 250,000 gallon per day expansion to the wastewater treatment plant which is expected to be completed in the first quarter of 2026. Upon completion of the expansion, the wastewater treatment plant will be capable of serving 2,128 ESFCs. West Fork is obligated to expand the wastewater treatment plant as necessary and within the timeframe required to meet the needs of continued development within the Master District Service Area.

Wholesale Agreement: Pursuant to the Wholesale Agreement, the Master District is obligated to pay West Fork a $300,000 initial payment (the "Initial Payment") and connection charges for capacity in the West Fork water plant and West Fork wastewater plant (collectively, the "West Fork System"). The connection charges are to be paid as follows: $550 per platted water ESFC for the first 791 water ESFCs; and $550 per platted sewer ESFC for the first 1,000 sewer ESFCs, with such connection charges being due on the earlier of 1) receipt by the Master District of bond proceeds issued for the purpose of purchasing capacity in the West Fork System, or 2) 36 months following the date of the recording of the respective final plat. The cost of ESFCs in excess of 791 ESFCs for water or 1,000 ESFCs for sewer shall be equal to 25% of the design, permitting, and construction costs of any expansion(s) to the West Fork water plant and/or wastewater plant necessary to serve such additional ESFCs divided by the total number of additional ESFCs that may be served by such expansion. The Initial Payment shall be credited against the final $300,000 worth of connection charges due under the Wholesale Agreement. The Master District used a portion of proceeds from the outstanding Water, Sewer, and Drainage Contract Revenue Bonds to make the Initial Payment and to purchase a total of 922 ESFCs worth of capacity in the West Fork System. In addition to the Initial Payment and connection charges, the Wholesale Agreement provides that the Master District shall pay monthly usage charges to West Fork as follows: a volumetric rate of $3.70 per 1,000 gallons of actual metered water flow and a flat fee for sanitary sewer services in the amount of $37.00 per ESFC actually connected to the West Fork System subject to future increases tied to the percentage of increase in the CPI, which increases may commence in July 2026.

Regional Water Distribution and Wastewater Collection: Regional water distribution facilities consist of waterlines ranging from 6 inches to 16 inches. These potable water distribution facilities supply water received from the West Fork System to the internal water distribution facilities constructed by the Participants, including the District. The regional wastewater collection facilities include a lift station and sanitary sewer lines ranging in size from 6 inches to 12 inches. These collection lines collect waste from the internal facilities constructed by or on behalf of each Participant, including the District, and transport it to the West Fork System.

NOTE 8. REGIONAL FACILITIES (Continued)

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

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the Developer on behalf of the District to serve 1,496 single-family residential lots and an elementary school constructed on approximately 14 acres. An additional 176 single-family residential lots are under construction in the District with an expected completion date in the fourth quarter of 2025.

The Master District has issued contract revenue bonds sufficient to fund ongoing acquisition and construction of the regional facilities. For the current fiscal year, the District paid its pro rata share of the debt service requirement on these contract revenue bonds in the amount of $1,959,895.

The debt service requirements on all outstanding Contract Revenue Bonds as of June 30, 2025, (the most recently completed audit of the Master District) are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 600,000	$ 1,553,763	$ 2,153,763
2027	715,000	1,512,801	2,227,801
2028	900,000	1,461,629	2,361,629
2029	935,000	1,403,142	2,338,142
2030	960,000	1,342,957	2,302,957
2031-2035	5,410,000	5,852,561	11,262,561
2036-2040	6,535,000	4,588,153	11,123,153
2041-2045	7,980,000	3,087,242	11,067,242
2046-2050	7,905,000	1,247,370	9,152,370
2051-2055	2,350,000	258,186	2,608,186
	$ 34,290,000	$ 22,307,804	$ 56,597,804

During the year ended June 30, 2025, the District levied an ad valorem contract tax rate of $0.72 per $100 of assessed valuation, which resulted in a tax levy of $2,056,027 on the adjusted taxable valuation of $285,559,161 for the 2024 tax year.

NOTE 8. REGIONAL FACILITIES (Continued)

Summarized financial activities of the Master District as of June 30, 2025, and for the year then ended are as follows:

Total Assets	$ 25,263,844
Total Liabilites	44,741,230
Total Net Position	$ (19,477,386)
Total Revenues	$ 4,069,163
Total Expenditures	7,391,573
Change in Net Position	$ (3,322,410)
Net Position - July 1, 2024	(16,154,976)
Net Position - June 30, 2025	$ (19,477,386)

NOTE 9. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of $224,079 for operating advances and $7,492,318 for completed projects as of June 30, 2025. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarized the current fiscal year activity related to unreimbursed Developer costs for operating advances:

Due to Developer, beginning of year, As Adjusted	$ 8,087,060
Current Year Additions	3,114,931
Current Year Reimburesments	(3,485,594)
Due to Developer, end of year	$ 7,716,397

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 natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. WATER SUPPLY AND INTERCONNECT AGREEMENT

On October 15, 2020, the District entered into a Water Supply and Interconnect Contract with Montgomery County Municipal Utility District No. 56 ("MUD 56"). The agreement requires the District to install a meter and construct a water line to a point of connection. Effective October 1, 2022, the MUD 56 Water Supply and Interconnect Contract was assigned to the Master District.

The Emergency Water Interconnect Agreement provides that during an emergency, the district experiencing the emergency shall be supplied water by the other district through the interconnect. The cost of water supplied to each district is $1.50 per 1,000 gallons plus the then-current surface water charges from any governmental entity with authority to impose such charges, if any.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement ("SPA") with the City of Conroe, Texas (the "City"), effective January 28, 2021, whereby the City may impose its sales and use tax within the District upon its limited purpose annexation of the District. To date, the City has not exercised its right to annex the District for limited purposes, but it may exercise this right at any time. After the date of the limited purpose annexation, the City shall pay to the District an amount equal to 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller.

The City may, but is not required to, annex the District for full purposes upon the earlier of the following: 1. The date, not earlier than December 31, 2045, or 2. The time the District has achieved 95% build out (i.e., District facilities necessary to serve at least 95% of the developable acreage in the District is complete and the District's developer has been fully reimbursed for same) whichever occurs first. Upon the full purpose annexation conversion date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

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

At any time on or after the time after development in the District reaches 95% build out or December 31, 2045, the City may, in its sole discretion, annex all of the land within the District for full purposes, dissolve the District and assume the debt of the District as provided in Texas Local Government Code, Section 43.075.

NOTE 13. BOND SALES

On December 11, 2024, the District closed on the sale of $7,825,000 of Unlimited Tax Road Bonds, Series 2024. Proceeds from the bonds and $67,000 of surplus funds were used to reimburse the Developer for construction and engineering costs for paving facilities and related land acquisition for The Highlands, Sections 7, 9, 12 and 14. Additional proceeds were used to fund capitalized interest and pay for issuance costs of the bonds.

On April 3, 2025, the District closed on the sale of $7,360,000 of Unlimited Tax Road Bonds, Series 2025. Proceeds from the bonds and $350,000 of surplus funds were used to reimburse the Developer for construction and engineering costs for paving facilities to serve The Highlands, Sections 4, 5, 6, 7, 8, 9, 10, 11-A, 11-B, 12, 13, 16, 17 and Model Park Phase 2. Additional proceeds were used to fund capitalized interest and pay for issuance costs of the bonds.

NOTE 14. SUBSEQUENT EVENT – BOND SALE

On September 30, 2025, subsequent to year end, the District closed on the sale of $11,640,000 of Unlimited Tax Bonds, Series 2025. Proceeds from the bonds were used to reimburse the Developer for construction and engineering costs for water, wastewater and drainage facilities for The Highlands, Sections 7, 9, 10, 12, 13 and 14. Additional proceeds will be used to fund capitalized interest and pay for issuance costs of the bonds.

NOTE 15. USE OF SURPLUS FUNDS

On October 8, 2024, the District received approval from the Commission to use $439,146 in surplus bond monies to fund construction and engineering costs for water, wastewater and drainage facilities for The Highlands, Section 10. On November 5, 2024 the District reimbursed the Developer $437,474 in relation to this approval.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 300,000	$ 300,000	$ 313,207	$ 13,207
Water Service	440,000	400,000	612,497	212,497
Wastewater Service	429,000	390,000	711,928	321,928
Penalty and Interest	12,000	12,000	19,054	7,054
Tap Connection and Inspection Fees	850,000	850,000	968,110	118,110
Non-Taxable User Fee	531,509	531,509	531,584	75
Investment Revenues	2,000	2,000	20,487	18,487
Miscellaneous Revenues			2,131	2,131
TOTAL REVENUES	$ 2,564,509	$ 2,485,509	$ 3,178,998	$ 693,489
EXPENDITURES				
Service Operations:				
Professional Fees	$ 155,000	$ 155,000	$ 219,661	$ (64,661)
Contracted Services	15,000	15,000	17,999	(2,999)
Purchased Regional Operator Services	810,000	810,000	981,702	(171,702)
Utilities	1,200	1,200	1,325	(125)
Purchased Regional Capacity Services	1,082,800	1,082,800	1,082,821	(21)
O&M Reserve to MCM 186	270,700	270,700		270,700
Other	45,100	45,100	36,681	8,419
TOTAL EXPENDITURES	$ 2,379,800	$ 2,379,800	$ 2,340,189	$ 39,611
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 184,709	$ 105,709	$ 838,809	$ 733,100
OTHER FINANCING SOURCES(USES)				
Developer Advances	$ 450,000	$ 450,000	$ -0-	$ (450,000)
NET CHANGE IN FUND BALANCE	$ 634,709	$ 555,709	$ 838,809	$ 283,100
FUND BALANCE - JULY 1, 2024	679,088	679,088	679,088	
FUND BALANCE - JUNE 30, 2025	$ 1,313,797	$ 1,234,797	$ 1,517,897	$ 283,100

The accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

The Master District provides wholesale water and wastewater services to participating districts, of which, the District is one. (See Note 8)

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved February 4, 2025.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$27.75	5,000	N	$3.10	5,001 to 10,000
				$3.50	10,001 to 15,000
				$3.70	15,001 to 30,000
				$4.10	30,001 and over
WASTEWATER:	$66.50		Y		
SURCHARGE:	N/A				

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $43.25 Wastewater: $66.50 Total: $109.75

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	932	929	x 1.0	929
1"	238	238	x 2.5	595
1½"			x 5.0	
2"	4	4	x 8.0	32
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water Connections	1,175	1,172		1,636
Total Wastewater Connections	1,139	1,138	x 1.0	1,138

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

Water Accountability Ratio: 90.6%
(Gallons billed /Gallons pumped)

Gallons purchased:	115,122,000	From: Montgomery County 186
Gallons billed to customers:	104,281,000	

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

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

Does the District have Debt Service standby fees? Yes __ No _X_

Does the District have Operation and Maintenance standby fees? Yes __ No _X_

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No _____

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all __X__

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

Entirely __X__ Partly _____ Not at all _____

ETJ in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

PROFESSIONAL FEES:		
Auditing	$	15,250
Engineering		54,244
Legal		150,167
TOTAL PROFESSIONAL FEES	$	219,661
PURCHASED SERVICES		
Purchased Regional Operator	$	981,702
Purchased Regional Capacity		1,082,821
TOTAL PURCHASED SERVICES	$	2,064,523
CONTRACTED SERVICES:		
Bookkeeping	$	17,999
UTILITIES	$	1,325
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	13,260
Insurance		4,069
Legal Notices		678
Office Supplies and Postage		9,541
Payroll Taxes		2,584
Other		62
TOTAL ADMINISTRATIVE EXPENDITURES	$	30,194
OTHER EXPENDITURES:		
Laboratory Fees	$	1,473
Regulatory Assessment		5,014
TOTAL OTHER EXPENDITURES	$	6,487
TOTAL EXPENDITURES	$	2,340,189

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
INVESTMENTS
JUNE 30, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0004	Varies	Daily	$ 1,086,726	$ -0-
DEBT SERVICE FUND					
TexPool	XXXX0003	Varies	Daily	$ 692,795	$
TexPool	XXXX0005	Varies	Daily	1,237,001	
TOTAL DEBT SERVICE FUND				$ 1,929,796	-0-
CAPITAL PROJECTS FUND					
TexPool	XXXX0006	Varies	Daily	$ 70,807	$
TexPool	XXXX0008	Varies	Daily	2,027,833	
TOTAL CAPITAL PROJECTS FUND				$ 2,098,640	$ - 0 -
TOTAL - ALL FUNDS				$ 5,115,162	$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	Maintenance Taxes		Debt Service Taxes		Contract Taxes	
TAXES RECEIVABLE - JULY 1, 2024	$ 10,373		$ 11,608		$ 8,892	
Adjustments to Beginning Balance	(1,597)	$ 8,776	(1,632)	$ 9,976	(1,250)	$ 7,642
Original 2024 Tax Levy	$ 278,727		$ 1,064,230		$ 1,824,394	
Adjustment to 2024 Tax Levy	35,388	314,115	135,119	1,199,349	231,633	2,056,027
TOTAL TO BE ACCOUNTED FOR		$ 322,891		$ 1,209,325		$ 2,063,669
TAX COLLECTIONS:						
Prior Years	$ 7,871		$ 8,964		$ 6,866	
Current Year	305,336	313,207	1,165,830	1,174,794	1,998,567	2,005,433
TAXES RECEIVABLE - JUNE 30, 2025		$ 9,684		$ 34,531		$ 58,236
TAXES RECEIVABLE BY YEAR:						
2024		$ 8,779		$ 33,519		$ 57,460
2023		905		1,012		776
TOTAL		$ 9,684		$ 34,531		$ 58,236

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	$ 73,055,800	$ 52,875,317	$ 23,718,994	$ 1,935,150
Improvements	234,864,307	127,216,210	18,434,960	
Personal Property	969,690	465,289	199,235	
Exemptions	(23,330,636)	(11,326,765)	(1,008,113)	(19,010)
TOTAL PROPERTY VALUATIONS	$ 285,559,161	$ 169,230,051	$ 41,345,076	$ 1,916,140
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.42	$ 0.47	$ 0.00	$ 0.00
Contract	0.72	0.36	0.00	0.53
Maintenance	0.11	0.42	1.25	0.72
TOTAL TAX RATES PER $100 VALUATION	$ 1.25	$ 1.25	$ 1.25	$ 1.25
ADJUSTED TAX LEVY*	$ 3,569,491	$ 2,115,377	$ 516,814	$ 23,952
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.21 %	99.87 %	100.00 %	100.00 %

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

Maintenance Tax – Maximum tax rate of $1.50 per $100 of assessed valuation approved by voters on May 1, 2021.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2022		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 135,000	$ 280,835	$ 415,835
2027	145,000	273,835	418,835
2028	150,000	266,460	416,460
2029	160,000	258,910	418,910
2030	165,000	251,315	416,315
2031	175,000	243,495	418,495
2032	185,000	235,169	420,169
2033	195,000	226,285	421,285
2034	205,000	216,834	421,834
2035	215,000	206,590	421,590
2036	225,000	195,590	420,590
2037	235,000	184,090	419,090
2038	245,000	172,090	417,090
2039	260,000	159,465	419,465
2040	270,000	146,215	416,215
2041	285,000	132,198	417,198
2042	300,000	117,280	417,280
2043	315,000	101,598	416,598
2044	330,000	85,150	415,150
2045	345,000	67,851	412,851
2046	365,000	49,568	414,568
2047	380,000	30,385	410,385
2048	400,000	10,300	410,300
2049			
2050			
2051			
	$ 5,685,000	$ 3,911,508	$ 9,596,508

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2023 ROAD		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 130,000	$ 281,463	$ 411,463
2027	140,000	272,688	412,688
2028	145,000	263,425	408,425
2029	155,000	253,675	408,675
2030	160,000	243,438	403,438
2031	170,000	232,713	402,713
2032	175,000	221,500	396,500
2033	185,000	209,800	394,800
2034	195,000	197,938	392,938
2035	205,000	185,938	390,938
2036	215,000	173,338	388,338
2037	225,000	162,388	387,388
2038	235,000	153,187	388,187
2039	250,000	143,487	393,487
2040	260,000	133,287	393,287
2041	275,000	122,587	397,587
2042	290,000	110,925	400,925
2043	305,000	98,281	403,281
2044	315,000	85,106	400,106
2045	335,000	71,294	406,294
2046	350,000	56,737	406,737
2047	370,000	41,437	411,437
2048	385,000	25,394	410,394
2049	405,000	8,606	413,606
2050			
2051			
	$ 5,875,000	$ 3,748,632	$ 9,623,632

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2023A ROAD		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 125,000	$ 261,625	$ 386,625
2027	135,000	252,850	387,850
2028	140,000	243,569	383,569
2029	145,000	233,950	378,950
2030	155,000	223,825	378,825
2031	160,000	213,194	373,194
2032	170,000	202,056	372,056
2033	175,000	192,600	367,600
2034	185,000	184,950	369,950
2035	195,000	176,875	371,875
2036	205,000	168,375	373,375
2037	210,000	159,556	369,556
2038	220,000	150,419	370,419
2039	235,000	140,750	375,750
2040	245,000	130,550	375,550
2041	255,000	119,766	374,766
2042	270,000	108,281	378,281
2043	280,000	96,075	376,075
2044	295,000	83,138	378,138
2045	310,000	69,525	379,525
2046	325,000	55,238	380,238
2047	340,000	40,275	380,275
2048	355,000	24,638	379,638
2049	370,000	8,325	378,325
2050			
2051			
	$ 5,500,000	$ 3,540,405	$ 9,040,405

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2024		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 170,000	$ 322,031	$ 492,031
2027	175,000	312,113	487,113
2028	185,000	301,762	486,762
2029	195,000	290,838	485,838
2030	205,000	279,338	484,338
2031	220,000	267,531	487,531
2032	230,000	257,881	487,881
2033	245,000	250,163	495,163
2034	255,000	242,038	497,038
2035	270,000	233,506	503,506
2036	285,000	224,309	509,309
2037	300,000	214,250	514,250
2038	320,000	202,600	522,600
2039	335,000	189,500	524,500
2040	355,000	175,700	530,700
2041	375,000	161,100	536,100
2042	395,000	145,700	540,700
2043	415,000	129,500	544,500
2044	440,000	112,400	552,400
2045	465,000	94,300	559,300
2046	490,000	75,200	565,200
2047	515,000	55,100	570,100
2048	545,000	33,900	578,900
2049	575,000	11,500	586,500
2050			
2051			
	$ 7,960,000	$ 4,582,260	$ 12,542,260

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2024 ROAD		
Due During Fiscal Years Ending June 30	Principal Due March 1	Interest Due September 1/ March 1	Total
2026		352,275	352,275
2027	200,000	352,275	552,275
2028	210,000	339,525	549,525
2029	215,000	325,875	540,875
2030	225,000	311,900	536,900
2031	240,000	297,275	537,275
2032	250,000	281,675	531,675
2033	260,000	265,425	525,425
2034	270,000	254,050	524,050
2035	285,000	243,250	528,250
2036	300,000	231,850	531,850
2037	310,000	219,850	529,850
2038	325,000	207,450	532,450
2039	340,000	194,450	534,450
2040	355,000	180,850	535,850
2041	375,000	166,650	541,650
2042	390,000	151,181	541,181
2043	405,000	135,094	540,094
2044	425,000	118,388	543,388
2045	445,000	100,856	545,856
2046	465,000	82,500	547,500
2047	490,000	63,319	553,319
2048	510,000	43,106	553,106
2049	535,000	22,069	557,069
2050			
2051			
	$ 7,825,000	$ 4,941,138	$ 12,766,138

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2025 ROAD		
Due During Fiscal Years Ending June 30	Principal Due March 1	Interest Due September 1/ March 1	Total
2026		287,325	287,325
2027	155,000	315,356	470,356
2028	165,000	306,056	471,056
2029	175,000	296,156	471,156
2030	180,000	285,656	465,656
2031	190,000	274,856	464,856
2032	200,000	264,881	464,881
2033	210,000	256,881	466,881
2034	220,000	248,481	468,481
2035	230,000	239,681	469,681
2036	240,000	230,481	470,481
2037	255,000	220,881	475,881
2038	265,000	210,681	475,681
2039	280,000	200,081	480,081
2040	290,000	188,881	478,881
2041	305,000	177,281	482,281
2042	320,000	165,081	485,081
2043	335,000	152,281	487,281
2044	350,000	138,882	488,882
2045	370,000	124,882	494,882
2046	390,000	110,082	500,082
2047	405,000	94,482	499,482
2048	425,000	77,775	502,775
2049	445,000	59,713	504,713
2050	470,000	40,800	510,800
2051	490,000	20,825	510,825
	$ 7,360,000	$ 4,988,418	$ 12,348,418

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 560,000	$ 1,785,554	$ 2,345,554
2027	950,000	1,779,117	2,729,117
2028	995,000	1,720,797	2,715,797
2029	1,045,000	1,659,404	2,704,404
2030	1,090,000	1,595,472	2,685,472
2031	1,155,000	1,529,064	2,684,064
2032	1,210,000	1,463,162	2,673,162
2033	1,270,000	1,401,154	2,671,154
2034	1,330,000	1,344,291	2,674,291
2035	1,400,000	1,285,840	2,685,840
2036	1,470,000	1,223,943	2,693,943
2037	1,535,000	1,161,015	2,696,015
2038	1,610,000	1,096,427	2,706,427
2039	1,700,000	1,027,733	2,727,733
2040	1,775,000	955,483	2,730,483
2041	1,870,000	879,582	2,749,582
2042	1,965,000	798,448	2,763,448
2043	2,055,000	712,829	2,767,829
2044	2,155,000	623,064	2,778,064
2045	2,270,000	528,708	2,798,708
2046	2,385,000	429,325	2,814,325
2047	2,500,000	324,998	2,824,998
2048	2,620,000	215,113	2,835,113
2049	2,330,000	110,213	2,440,213
2050	470,000	40,800	510,800
2051	490,000	20,825	510,825
	$ 40,205,000	$ 25,712,361	$ 65,917,361

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024
Montgomery County Municipal Utility District No. 140 Unlimited Tax Bonds - Series 2022	$ 5,905,000	$ 5,815,000
Montgomery County Municipal Utility District No. 140 Unlimited Tax Road Bonds - Series 2023	6,000,000	6,000,000
Montgomery County Municipal Utility District No. 140 Unlimited Tax Road Bonds - Series 2023A	5,500,000	5,500,000
Montgomery County Municipal Utility District No. 140 Unlimited Tax Bonds - Series 2024	7,960,000	7,960,000
Montgomery County Municipal Utility District No. 140 Unlimited Tax Road Bonds - Series 2024	7,825,000	
Montgomery County Municipal Utility District No. 140 Unlimited Tax Road Bonds - Series 2025	7,360,000	
TOTAL	$ 40,550,000	$ 25,275,000

Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Park Bonds
Amount Authorized by Voters	$ 121,500,000	$ 85,900,000	$ 26,600,000
Amount Issued	13,865,000	26,685,000	
Remaining to be Issued	$ 107,635,000	$ 59,215,000	$ 26,600,000

Debt Service Fund cash and investment balances as of June 30, 2025:	$ 3,083,638
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 2,535,283

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	June 30, 2025	Paying Agent
$	$ 130,000	$ 287,460	$ 5,685,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	125,000	289,750	5,875,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		265,844	5,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		347,805	7,960,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
7,825,000		78,283	7,825,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
7,360,000			7,360,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ 15,185,000	$ 255,000	$ 1,269,142	$ 40,205,000	

Refunding Bonds*
$ 23,400,000
$ 23,400,000

* Includes $12,150,000 for water, sewer and drainage bonds, $8,590,000 for road bonds and $2,660,000 for park bonds.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FOUR YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 313,207	$ 708,717	$ 501,788
Water Service	612,497	416,174	225,868
Wastewater Service	711,928	409,601	230,203
Penalty and Interest	19,054	11,483	10,594
Tap Connection and Inspection Fees	968,110	752,888	530,732
Non-Taxable User Fee	531,584		
Investment Revenues	20,487	5,816	1,963
Miscellaneous Revenues	2,131	12,757	34,578
TOTAL REVENUES	$ 3,178,998	$ 2,317,436	$ 1,535,726
EXPENDITURES			
Professional Fees	$ 219,661	$ 160,675	$ 160,916
Contracted Services	17,999	15,215	28,063
Purchased Water		16,150	21,496
Purchased Regional Operator Services	981,702	856,327	597,842
Utilities	1,325	1,225	
Purchased Regional Capacity Services	1,082,821	935,053	777,158
Repairs and Maintenance		11,000	
Other	36,681	36,197	51,833
TOTAL EXPENDITURES	$ 2,340,189	$ 2,031,842	$ 1,637,308
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 838,809	$ 285,594	$ (101,582)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$	$	$ 400,000
Transfers In(Out)		(68,490)	
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ (68,490)	$ 400,000
NET CHANGE IN FUND BALANCE	$ 838,809	$ 217,104	$ 298,418
BEGINNING FUND BALANCE	679,088	461,984	163,566
ENDING FUND BALANCE	$ 1,517,897	$ 679,088	$ 461,984

See accompanying independent auditor's report.

	Percentage of Total Revenues			
2022	2025	2024	2023	2022
$ 23,952	9.8 %	30.4 %	32.5 %	3.2 %
69,025	19.3	18.0	14.7	9.1
75,215	22.4	17.7	15.0	9.9
1,168	0.6	0.5	0.7	0.2
571,850	30.5	32.5	34.7	75.6
	16.7			
	0.6	0.3	0.1	
15,359	0.1	0.6	2.3	2.0
$ 756,569	100.0 %	100.0 %	100.0 %	100.0 %
$ 229,359	6.9 %	6.9 %	10.5 %	30.3 %
50,208	0.6	0.7	1.8	6.6
49,778		0.7	1.4	6.6
	30.9	37.0	38.9	
		0.1		
	34.1	40.3	50.6	
110,493		0.5		14.6
356,498	1.2	1.6	3.4	47.1
$ 796,336	73.7 %	87.8 %	106.6 %	105.2 %
$ (39,767)	26.3 %	12.2 %	(6.6) %	(5.2) %
$ 210,000				
$ 210,000				
$ 170,233				
(6,667)				
$ 163,566				

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FOUR YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 3,180,227	$ 1,384,111	$
Penalty and Interest	24,942	11,480	
Investment Revenues	74,132	42,340	15,413
Miscellaneous Revenues	1,310	1,561	
TOTAL REVENUES	$ 3,280,611	$ 1,439,492	$ 15,413
EXPENDITURES			
Tax Collection Expenditures	$ 50,249	$ 21,752	$ 320
Debt Service Principal	255,000	90,000	
Debt Service Interest and Fees	1,271,152	678,507	91,843
District's Share of Montgomery County Municipal Utility District No. 186's Bond Debt Requirement	1,959,895	593,164	
TOTAL EXPENDITURES	$ 3,536,296	$ 1,383,423	$ 92,163
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (255,685)	$ 56,069	$ (76,750)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$ 843,769	$ 588,169	$ 917,073
NET CHANGE IN FUND BALANCE	$ 588,084	$ 644,238	$ 840,323
BEGINNING FUND BALANCE	1,484,561	840,323	
ENDING FUND BALANCE	$ 2,072,645	$ 1,484,561	$ 840,323
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,172	870	524
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,138	843	509

See accompanying independent auditor's report.

	Percentage of Total Revenue			
2022	2025	2024	2023	2022
$	96.9 %	96.2 %	%	%
	0.8 %	0.8		
	2.3 %	2.9	100.0	
		0.1		
$ - 0 -	100.0 %	100.0 %	100.0 %	%
	1.5 %	1.5 %	2.1 %	%
	7.8	6.3		
	38.7	47.1	595.9	
	59.7	41.2		
$ - 0 -	107.7 %	96.1 %	598.0 %	%
$ - 0 -	(7.7) %	3.9 %	(498.0) %	N/A %
$ - 0 -				
$ - 0 -				
$ - 0 -				
325				
322				

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

District Mailing Address - Montgomery County Municipal Utility District No. 140
The Muller Law Group, PLLC
202 Century Square Boulevard
Sugar Land, Texas 77478

District Telephone Number - (281) 500-6050

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2025	Expense reimbursements for the year ended June 30, 2025	Title
Kyle Atchison	05/22 - 05/26 (Elected)	$ 2,652	$ -0-	President
Mary Ellen Bare	05/22 - 05/26 (Elected)	$ 3,094	$ 534	Vice President
Leticia Cortez	05/24 - 05/28 (Elected)	$ 3,094	$ 762	Secretary
Glen Jordan	05/24 - 05/28 (Elected)	$ 1,989	$ -0-	Assistant Secretary
Timothy Hayes	05/24 - 05/28 (Elected)	$ 2,431	$ -0-	Assistant Vice President

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

The submission date of the most recent District Registration Form: May 29, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

Consultants:	Date Hired	Fees for the year ended June 30, 2025	Title
The Muller Law Group, PLLC	06/02/20	$ 125,484 $ 363,700	General Counsel Bond Related
McCall Gibson Swedlund Barfoot Ellis PLLC	04/05/22	$ 15,250 $ 43,250	Auditor Bond Related
District Data Services.	09/06/22	$ 17,999 $ 6,000	Bookkeeper Bond Related
Predue, Brandon, Fielder, Collins & Mott, L.L.P.	05/04/21	$ 5,356	Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	06/02/20	$ 152,244	Engineer
Masterson Advisors LLC	01/03/23	$ 227,010	Financial Advisor
Stephanie Viator Lynette Tujague	09/06/22	$ -0-	Investment Officers
Inframark Water and Infrastructure Services	06/02/20	$ -0-	Operator *
BLICO, Inc., dba Bob Leared Interests	06/02/20	$ 25,157	Tax Assessor/ Collector

* Operator invoices are paid by the Master District. Payments by the District for these costs are paid to the Master District.

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

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

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

SPECIMEN

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

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