OFFICIAL STATEMENT DATED SEPTEMBER 14, 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)
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

$11,385,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186

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

CONTRACT REVENUE BONDS (WATER, SEWER, AND DRAINAGE FACILITIES) SERIES 2026

The bonds described above (the "Bonds") are special obligations solely of Montgomery County Municipal Utility District No. 186 (the "Master District" or the "District") payable solely from and to the extent of payments required to be made to the Trustee (as herein defined) by the municipal utility districts within the Master District Service Area (the "Service Area") that have executed Master District Contract (as defined herein) (the "Participants") from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant or from other revenues available to such Participant (the "Water, Sewer, and Drainage Contract Payments"). Payment of Water, Sewer, and Drainage Contract Payments (as defined herein) by the Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract"), as described more fully herein under "MASTER DISTRICT CONTRACT." The Bonds are special obligations of the Master District payable solely from the Water, Sewer, and Drainage Pledged Revenues (as defined herein) and are not obligations of the State of Texas, Montgomery County, the City of Conroe, any of the Participants, or any entity other than the Master District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

Dated Date: October 1, 2026 **Due: December 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 October 13, 2026) (the "Date of Delivery"), and is payable each June 1 and December 1, commencing June 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 (December 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (December 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 185,000	2028	61374G DK7	7.50 %	3.50 %	$ 330,000	2040 (a)	61374G DX9	5.00 %	4.65 %
190,000	2029	61374G DL5	7.50	3.60	345,000	2041 (a)	61374G DY7	5.00	4.75
200,000	2030	61374G DM3	7.50	3.70	360,000	2042 (a)	61374G DZ4	5.00	4.85
210,000	2031	61374G DN1	7.50	3.80	380,000	2043 (a)	61374G EA8	5.00	4.93
220,000	2032	61374G DP6	7.00	3.90	400,000	2044 (a)	61374G EB6	5.00	5.00
235,000	2033 (a)	61374G DQ4	5.00	4.00	420,000	2045 (a)	61374G EC4	5.00	5.02
245,000	2034 (a)	61374G DR2	5.00	4.08	440,000	2046 (a)	61374G ED2	5.00	5.04
255,000	2035 (a)	61374G DS0	5.00	4.15	460,000	2047 (a)	61374G EE0	5.00	5.05
270,000	2036 (a)	61374G DT8	5.00	4.25	485,000	2048 (a)	61374G EF7	5.00	5.06
285,000	2037 (a)	61374G DU5	5.00	4.35	510,000	2049 (a)	61374G EG5	5.00	5.07
300,000	2038 (a)	61374G DV3	5.00	4.45	535,000	2050 (a)	61374G EH3	5.00	5.08
310,000	2039 (a)	61374G DW1	5.00	4.55					

$1,150,000 Term Bonds due December 1, 2052 (a), 61374G EK6 (b), 5.00% Interest Rate, 5.09% Yield (c)
$1,270,000 Term Bonds due December 1, 2054 (a), 61374G EM2 (b), 5.00% Interest Rate, 5.10% Yield (c)
$1,395,000 Term Bonds due December 1, 2056 (a), 61374G EP5 (b), 5.00% Interest Rate, 5.11% Yield (c)

(a) Bonds maturing on or after December 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 December 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. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. 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 (as herein defined) 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 October 13, 2026.

TABLE OF CONTENTS

MATURITY SCHEDULE **1**
USE OF INFORMATION IN OFFICIAL STATEMENT **3**
SALE AND DISTRIBUTION OF THE BONDS **4**
Award of the Bonds 4
Prices and Marketability 4
Securities Laws 4
OFFICIAL STATEMENT SUMMARY **5**
SELECTED FINANCIAL INFORMATION (UNAUDITED) **12**
MASTER DISTRICT CONTRACT **15**
THE BONDS **16**
General 16
Paying Agent/Registrar 17
Transfer, Exchange and Registration 17
Replacement of Bonds 17
Authority for Issuance 17
Source and Security of Payment 18
Contract Payments by the Participants 18
Unconditional Obligation to Pay 19
Funds 19
Record Date 19
No Arbitrage 20
Redemption Provisions 20
Annexation and Strategic Partnership Agreement 21
Consolidation 21
Defeasance 21
Issuance of Additional Debt 22
Financing Parks and Recreational Facilities 22
Financing Road Facilities 22
Remedies in Event of Default 22
Legal Investment and Eligibility to Secure Public Funds in Texas 23
BOOK-ENTRY-ONLY SYSTEM **23**
USE AND DISTRIBUTION OF BOND PROCEEDS **25**
THE INDENTURE OF TRUST **26**
Events of Default 26
Remedies 26
Limitation on Action by Owners 27
Amendments to the Indenture of Trust 27
Road Contract Revenue Bonds and Park Contract Revenue Bonds 28
Removal or Resignation of Trustee 28
Appointment of Successor Trustee 28
THE PARTICIPANTS **29**
Creation, Authority and Description 29
Authorized Bonds 29
Operations 29
Contract Tax 29
Direct Debt Service Tax 30
Maintenance and Operations Taxes 30
Strategic Partnership Agreement 30
Consolidation 30
Management 31
Financial Data 31
Future Participants 31
THE HIGHLANDS **31**
THE DISTRICT AND SERVICE AREA **32**
General 32
Description and Location 32
Land Use 32
Status of Development 33
Homebuilders 33
THE DEVELOPER **33**
General 33
CC SCOA III, LP 33
Development Financing 34
MANAGEMENT OF THE DISTRICT **34**
Board of Directors 34
District Consultants 34
THE SYSTEM **35**
Master District Facilities/Wholesale Agreements 35
Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities 36
100-Year Flood Plain 36
Atlas 14 36
General Operating Fund 37
THE ROAD SYSTEM **38**
FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICPANT (UNAUDITED) **39**
Outstanding Debt 40
Debt Service Requirements 41
Estimated Overlapping Debt Statement 42
Overlapping Taxes 43
TAX DATA **44**
Contract Tax 44
Appraised Valuation Information (a) 44
Historical Contract Payment Collections 44
Principal Taxpayers 44
Tax Adequacy for Debt Service 45
TAXING PROCEDURES **45**
Authority to Levy Taxes 45
Property Tax Code and County-Wide Appraisal District 45
Property Subject to Taxation by the Participants 45
Valuation of Property for Taxation 47
Participants and Taxpayer Remedies 47
Levy and Collection of Taxes 48
Rollback of Operation and Maintenance Tax Rate 48
District's Rights in the Event of Tax Delinquencies 49
RISK FACTORS **50**
General 50
Undeveloped Acreage and Vacant Lots 50
Operational Expenses 50
Developer Obligation to the District 51
Economic Factors and Interest Rates 51
Credit Markets and Liquidity in the Financial Markets 51
Competition 51
Increase in Costs of Building Materials 51
Possible Impact on Contract Tax Rate 52
Nature of Portions of Development and Over 65/Disabled Exemption 52
Debt Burden on Property within the Participants 52
Potential Effects of Oil Price Volatility on the Houston Area 53
Extreme Weather 53
Specific Flood Type Risks 53
Tax Collections Limitations and Foreclosure Remedies 54
Registered Owners' Remedies and Bankruptcy Limitations 54
Future Debt 55
Environmental Regulations 55
Marketability of the Bonds 57
Changes in Tax Legislation 57
Continuing Compliance with Certain Covenants 57
Risk Factors Related to the Purchase of Municipal Bond Insurance 57
LEGAL MATTERS **58**
Legal Proceedings 58
No-Litigation Certificate 58
No Material Adverse Change 59
TAX EXEMPTION **59**
Opinion of Bond Counsel 59
Alternative Minimum Tax 59
Other Tax Matters 59
Original Issue Discount 60
Bond Premium 60
MUNICIPAL BOND RATING **60**
MUNICIPAL BOND INSURANCE **61**
Bond Insurance Policy 61
Build America Mutual Assurance Company 61
PREPARATION OF OFFICIAL STATEMENT **62**
Sources and Compilation of Information 62
Financial Advisor 62
Consultants 62
Updating the Official Statement 63
Certification of Official Statement 63
CONTINUING DISCLOSURE OF INFORMATION **63**
Annual Reports 63
Specified Event Notices 64
Availability of Information from EMMA 64
Limitations and Amendments 64
Compliance With Prior Undertakings 65
MISCELLANEOUS **65**
AERIAL LOCATION MAP
PHOTOGRAPHS OF THE SERVICE AREA
APPENDIX A—Certain Financial Information Regarding the Participants
APPENDIX B—Financial Statements of the District and the Participants
APPENDIX C—Specimen Municipal Bond Insurance Policy

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, Sugar Land, Texas, 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 C—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 5.199199%, 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. 186 (the "Master District" or the "District") was created pursuant to a Corrected Order Dividing District Into Six Districts, adopted by Montgomery County Municipal Utility District No. 140 ("MUD 140") on September 1, 2020, as authorized by House Bill 1492, 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") and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District encompasses approximately 289 acres of land. The Master District serves as a provider of regional water, wastewater, drainage, park/recreational and road facilities to the approximate 2,319 acre service area (the "Service Area"). See "MASTER DISTRICT CONTRACT," "THE PARTICIPANTS," and "THE DISTRICT AND SERVICE AREA."

Location... The Service Area 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 Service Area is approximately 35 miles north of the central downtown business district of Houston. The Service Area is bisected by Texas State Highway 99 (the "Grand Parkway") and located approximately midway between Interstate Highway 45 and U.S. Highway 69. The West Fork San Jacinto River forms the western boundary and Farm-to-Market 1314 is to the east of the Service Area. The Service Area is accessible from the Grand Parkway. See "THE DISTRICT AND SERVICE AREA" and "AERIAL LOCATION MAP."

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 private 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 is occurring within MUD 140 and Montgomery County Municipal Utility District No. 189 ("MUD 189"), and recreational facilities are within the boundaries of MUD 140, with the exception of the golf course and portions of the trails and nature preserves, which are located outside the boundaries of MUD 140 but are in the Service Area boundaries. See "THE HIGHLANDS" and "THE DEVELOPER."

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

Status of Development... The Master District Service Area is being developed as the master-planned community of The Highlands. Development activity within the Service Area is currently taking place within MUD 140 and MUD 189. The current single-family residential development in the Service Area consists of 1,803 single-family residential lots developed on approximately 402 acres in MUD 140. There are approximately 64 acres (266 single-family residential lots) in MUD 140 developed as an active adult/retirement community with home ownership restricted to purchasers age 55 or older. See "RISK FACTORS—Nature of Portions of Development and Over 65/Disabled Exemption." As of July 31, 2026, 1,245 homes were completed (1,221 occupied), 249 new homes were under construction or in the name of a homebuilder and 309 developed lots were available for home construction in MUD 140. There are an additional 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026.

An elementary school has been constructed on approximately 14 acres in MUD 140 and is exempt from ad-valorem taxation. A middle school is under construction on approximately 29 acres located in the Service Area but not in the boundaries of the District or the Participants and is expected to be completed and open by August 2027.

The remainder of the Service Area consists of approximately 716 acres of developable but undeveloped land, approximately 374 acres of recreational and open space and approximately 764 acres of undevelopable land (utility sites, easements and detention). See "THE HIGHLANDS," "THE DISTRICT AND SERVICE AREA—Land Use," and "—Status of Development."

Homebuilding… Active homebuilding within the Service Area 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 Service Area range from approximately $350,000 to $1,400,000. See "THE DISTRICT AND SERVICE AREA—Homebuilding."

Master District Facilities... The Service Area includes certain land that is within or intended to be annexed into the following municipal utility districts: the District, MUD 140, MUD 189, Montgomery County Municipal Utility District No. 187 ("MUD 187"), Montgomery County Municipal Utility District No. 188 ("MUD 188") and Montgomery County Municipal Utility District No. 190 ("MUD 190"). MUD 140 and MUD 189 are currently the only districts within the Service Area that have executed the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract") and are referred to herein as the "Participants" or each, a "Participant." The land in the District is undevelopable, except for recreational uses, and it is not currently expected that the District will enter into the Master District Contract as a participant or become a participant in the future. MUD 187, MUD 188 and MUD 190 are within the Service Area but are currently undeveloped and have not entered into the Master District Contract but may do so in the future, at which time any such district will become a Participant. 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 and levying a Contract Tax in the fall of 2027.

The Master District, in its capacity as the provider of regional water, wastewater, storm sewer facilities ("Master District Water, Sewer, and Drainage Facilities"), regional park facilities ("Master District Park Facilities"), major regional road facilities that are thoroughfares or collector roads ("Master District Road Facilities") and other regional facilities necessary to serve the Service Area (hereinafter collectively referred to as the "Master District Facilities"), has contracted with each of the Participants 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." Each Participant provides the internal water distribution, wastewater collection and storm drainage utilities and internal roads within its boundaries ("Internal District Facilities"). See "MASTER DISTRICT CONTRACT," and "THE SYSTEM—Master District Facilities/Wholesale Agreements."

The Master District provides or will provide all necessary potable water supply and wastewater treatment services to the Participants to meet each Participant's needs pursuant to the Master District Contract. The Master District currently receives water supply and wastewater treatment services from West Fork Utility Company, LLC ("West Fork"), pursuant to a Wholesale Agreement for Water and Wastewater Service, dated July 12, 2021, as amended by Amendment No. 1 to Wholesale Agreement for Water and Wastewater Service, dated February 13, 2023 (the "West Fork Wholesale Agreement"). The West Fork Wholesale Agreement provides water supply to serve a portion of the Service Area, including all of MUD 140 and a portion of MUD 189, and wastewater treatment services to serve all of the Master District's Service Area, which currently only serves the Participants. The Master District will receive water supply to serve portions of the Service Area not served by West Fork from Porter Special Utility District pursuant to a Wholesale Water Supply Agreement dated March 30, 2026 (the "Porter SUD Wholesale Agreement"). See "THE SYSTEM—Master District Facilities/Wholesale Agreements."

Taxation...

The tax rate for each Participant and any future participant consists or will consist of the Contract Tax, as defined herein (see "MASTER DISTRICT CONTRACT"), together with the debt service tax necessary for the payment of direct debt, if applicable, of each Participant and a maintenance and operations tax to pay for the maintenance and operation of its own Internal District Facilities. Currently, MUD 140 and MUD 189 are the only Participants. The land in the District is undevelopable, except for recreational uses, and it is not currently expected that the District will enter into the Master District Contract as a participant or become a participant in the future. MUD 187, MUD 188 and MUD 190 are currently inactive and undeveloped and do not represent any of the Service Area appraised value nor have they entered into the Master District Contract. MUD 187, MUD 188 and MUD 190 are not expected to levy any tax until development activity begins in their respective boundaries. 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 and levying a Contract Tax in the fall of 2027.

MUD 140 has $63,980,000 principal amount of unlimited tax bonds (including road bonds) outstanding, including $13,290,000 principal amount of unlimited tax bonds expected to be issued in the fourth quarter of 2026. MUD 140 levied a total tax rate of $1.25 per $100 of taxable assessed valuation for 2025 with $0.61 per $100 of taxable assessed valuation allocated to debt service, $0.48 per $100 of taxable assessed valuation allocated to Contract Tax, and $0.16 per $100 of taxable assessed valuation allocated to maintenance and operations. MUD 140 has authorized the publication of a total 2026 tax rate of $1.25, the allocation of which will be determined upon adoption of the tax rate in October 2026. MUD 189 has not issued any bonds to date and expects to levy its initial tax rate in the fall of 2026. See "RISK FACTORS—Possible Impact on Contract Tax Rate" and "—Debt Burden on Property within the Participants."

Payment Record…

The Bonds are the Master District's fifth issue of contract revenue bonds for the purpose of constructing or acquiring Master District Water, Sewer, and Drainage Facilities ("Water, Sewer, and Drainage Contract Revenue Bonds"). The Master District has issued $31,540,000 principal amount of Water, Sewer, and Drainage Contract Revenue Bonds and $13,390,000 principal amount of contract revenue bonds for the purpose of purchasing or acquiring regional road facilities ("Road Contract Revenue Bonds"), of which $44,190,000 collectively remains outstanding (the "Outstanding Bonds"). The Master District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. The Master District will capitalize $1,138,500 of interest from Bond proceeds, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. Of such $1,138,500, $350,251 will be deposited into the Water, Sewer, and Drainage Reserve Fund (defined herein) to satisfy the Water, Sewer, and Drainage Reserve Fund Requirement (defined herein). See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Outstanding Debt."

THE BONDS

Description... The $11,385,000 Montgomery County Municipal Utility District No. 186 Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2026 (the "Bonds") are being issued 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 December 1 in each of the years 2028 through 2050, both inclusive, and as term bonds maturing on December 1 in each of the years 2052, 2054, and 2056 (the "Term Bonds") 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 June 1, 2027, and each December 1 and June 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 December 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 December 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. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. 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 $1,138,500 of interest from Bond proceeds, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. Of such $1,138,500, $350,251 will be deposited to satisfy the Water, Sewer, and Drainage Reserve Fund Requirement in an amount equal to one-half of the maximum annual debt service requirement ($2,889,288) of the outstanding Water, Sewer, and Drainage Bonds, including the Bonds, which is $1,444,644; to pay administrative and certain other costs associated with the Bonds; and to pay engineering fees related to the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)."

Authority for Issuance... The Bonds are the fifth series of Water, Sewer, and Drainage Contract Revenue Bonds issued by the Master District for the purpose of acquiring or constructing Master District Water, Sewer, and Drainage Facilities. The Bonds are issued by the Master District pursuant to the Water, Sewer, and Drainage Indenture (as defined herein), the Master District Contract, 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, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Source of Payment... Principal of and interest on the Bonds are payable from and secured by the Water, Sewer, and Drainage Pledged Revenues (as defined herein). By execution of the Master District Contract, each Participant has agreed to pay a pro-rata share of debt service on the Bonds (the "Water, Sewer, and Drainage Contract Payments") based upon the Certified Appraised Valuation (which includes value associated with any optional exemptions that are granted by the Participants and the market value of any land value deferred for agricultural use) of each Participant as a percentage of the total Certified Appraised Valuation of all districts in the Service Area that have approved the Master District Contract, calculated annually. Each Participant is obligated to make such payments from the proceeds of an annual unlimited

ad valorem tax levied by such Participant for such purpose on all taxable land within its boundaries (the "Water, Sewer, and Drainage Contract Tax"), or from any other lawful source of income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Water, Sewer, and Drainage Contract Payments could result in an increase in the total amount of the Water, Sewer, and Drainage Contract Payments and the amount paid by each of the other Participants in a subsequent year or during the time such Participant's payment is delinquent. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Montgomery County, the City, any of the Participants, or any entity other than the Master District. See "MASTER DISTRICT CONTRACT," "THE BONDS—Source and Security of Payment," and "—Unconditional Obligation to Pay."

Indenture of Trust/Water, Sewer, and Drainage Pledged Revenue…

The Bonds are further secured by an Indenture of Trust dated March 30, 2023, and First Supplement to Indenture of Trust dated January 8, 2024 (together, the "Water, Sewer, and Drainage Indenture") between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee (the "Trustee"). Pursuant to the Water, Sewer, and Drainage Indenture, the Master District has assigned the Water, Sewer, and Drainage Pledged Revenues (as defined herein) to the Trustee for the benefit of the owners of the

Bonds and any additional Water, Sewer, and Drainage contract revenue bonds, including Water, Sewer, and Drainage contract revenue refunding bonds, issued by the Master District under the terms of the Water, Sewer, and Drainage Indenture (collectively, the "Water, Sewer, and Drainage Contract Revenue Bonds"). **The Water, Sewer, and Drainage Pledged Revenues include: (i) the Water, Sewer, and Drainage Contract Payments and all of the Master District's right, title, and interest thereto under the Master District Contract; (ii) all moneys deposited or required to be deposited in the Water, Sewer, and Drainage Debt Service Fund and the Water, Sewer, and Drainage Reserve Fund (as defined herein) held by the Trustee pursuant to the provisions of the Water, Sewer, and Drainage Indenture and all interest earnings and investments income therefrom; and (iii) any and all property of every kind and nature (including without limitation, cash, obligations, or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited by (or on behalf of) the Master District with the Trustee as additional security under the Water, Sewer, and Drainage Indenture, or which pursuant to any of the provisions of the Water, Sewer, and Drainage Indenture may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which property the Trustee is authorized to receive, hold, and apply according to the terms of the Water, Sewer, and Drainage Indenture.** The Master District has assigned to the Trustee the right to assert and enforce all of the Master District's rights and remedies under the Master District Contract in the event of a default. Under the Water, Sewer, and Drainage Indenture, the Trustee will maintain a reserve fund to be used to pay principal of and interest on the Water, Sewer, and Drainage Contract Revenue Bonds, if sufficient funds are not available for such purpose in the Water, Sewer, and Drainage Debt Service Fund (the "Water, Sewer, and Drainage Reserve Fund"). The reserve requirement for the Water, Sewer, and Drainage Reserve Fund has been established in the Bond Resolution to be a sum of money equal to one-half of the maximum annual debt service requirements on the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds (the "Water, Sewer, and Drainage Reserve Fund Requirement"). Any funds in excess of the Water, Sewer, and Drainage Reserve Fund Requirement held in the Water, Sewer, and Drainage Reserve Fund for the Water, Sewer, and Drainage Contract Revenue Bonds may be deposited into the Water, Sewer, and Drainage Debt Service Fund as directed by the Master District's Board of Directors. See "THE BONDS—Funds" and "THE INDENTURE OF TRUST."

Municipal Bond Rating and Municipal Bond Insurance… S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). 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. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX C."

***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 AND SERVICE AREA," "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.

Trustee... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE INDENTURE OF TRUST."

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."

MASTER DISTRICT CONTRACT

The Participants and Future Participants... To date, MUD 140 and MUD 189 have contracted with the Master District as Participants, and the Master District may contract with MUD 187, MUD 188 and MUD 190 in the future if the Board of Directors of MUD 187, MUD 188 and MUD 190 and the voters of MUD 187, MUD 188 and MUD 190 each approve the Master District Contract. The land in the District is undevelopable, except for recreational uses, and it is not currently expected that the District will enter into the Master District Contract as a participant or become a participant in the future. MUD 187 has called 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 and levying a Contract Tax in the fall of 2027. The Participants are municipal utility districts organized and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, as amended, to provide water supply and distribution, wastewater collection and treatment, storm drainage, road, and park and recreation services to the area within their respective boundaries. See "MASTER DISTRICT CONTRACT," "THE PARTICIPANTS" and "APPENDIX A."

Debt Service Payments... The Master District Contract provides that each Participant shall pay a pro-rata share of debt service on the Bonds based upon such Participant's Certified Appraised Valuation as a percentage of the Certified Appraised Valuation of all districts in the Service Area that have approved the Master District Contract, calculated annually. Each Participant is obligated to pay its pro-rata share of the annual debt service payments on the Bonds from the Water, Sewer, and Drainage Contract Tax, without legal limit as to rate or amount, or from any other legally available funds. The Water, Sewer, and Drainage Contract Payment may be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the applicable Bond Resolution or the Water, Sewer, and Drainage

Indenture. Each Participant's Water, Sewer, and Drainage Contract Payment will be calculated annually by the Master District; however, the levy of a Water, Sewer, and Drainage Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of such Participant. See "MASTER DISTRICT CONTRACT," "THE BONDS—Source and Security of Payment" and "—Funds." Each Participant is obligated severally, but not jointly, to make Water, Sewer, and Drainage Contract Payments to the Master District.

Water and Sewer Revenue… In addition to obligating each Participant to pay its pro-rata share of debt service on bonds issued by the Master District, the Master District Contract also obligates each Participant to pay monthly charges to the Master District for maintenance and operation costs of the Master District Facilities. The monthly charges to be paid by each Participant to the Master District will be used to pay such Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to 25% of the Master District's then-current general fund budget. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to such Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to each Participant is $178.52, effective July 1, 2026. The Master District Contract provides that each Participant will establish, maintain and from time to time adjust its rates, fees and charges for use of its wastewater collection system and water distribution system, or for the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the Participant's water distribution and wastewater collection system and its obligations to the Master District under the Master District Contract, including its obligation to pay its Contract Payment. The Master District does not expect that revenues from each Participant's wastewater collection and water distribution system will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds. See "MASTER DISTRICT CONTRACT" and "RISK FACTORS—Operational Expenses."

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)

Appraised Valuation of the Participants

	Participant Valuation (a)			
Participant	2024 Certified Appraised Valuation (b)	2025 Certified Appraised Valuation (b)	2026 Appraised Valuation (c)	Estimated Appraised Valuation as of 6/1/2026 (d)
MUD 140	$ 294,322,122	$ 440,878,804	$ 573,110,258	$ 656,171,166
MUD 189	-	-	870,548	870,548
Total	$ 294,322,122	$ 440,878,804	$ 573,980,806	$ 657,041,714

Contract Revenue Bonds of the Master District

Direct Debt (including the Bonds)	$ 55,575,000	(e)
Estimated Overlapping Debt	112,169,952	(f)
Total Direct and Estimated Overlapping Debt	$167,744,952	
Direct Debt as a % of		
2026 Appraised Valuation	9.68%	
Estimated Appraised Valuation as of June 1, 2026	8.46%	
Direct Debt and Estimated Overlapping Debt as a % of		
2026 Appraised Valuation	29.22%	
Estimated Appraised Valuation as of June 1, 2026	25.53%	

Participants' Appraised Valuation as a % of the Service Area (a)

Participant	2026 Appraised Valuation (c)	% of 2026 Appraised Valuation	Estimated Appraised Valuation as of 6/1/2026 (d)	% of Estimated Appraised Valuation as of 6/1/2026
MUD 140	$ 573,110,258	99.85%	$ 656,171,166	99.87%
MUD 189	870,548	0.15%	870,548	0.13%
Total	$ 573,980,806	100.00%	$ 657,041,714	100.00%

(a) Appraised value does not exclude value associated with any optional exemption that a Participant may grant under Texas law nor does it exclude the market value deferred as a result of agricultural use. MUD 189 became a Participant in 2026.

(b) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "APPENDIX A" for information on MUD 140's certified value.

(c) The Appraisal District has certified $534,511,325 of appraised value and an additional $39,469,481 of appraised 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 MUD 140 that home values in multiple sections were omitted from the 2026 Appraised Valuation. The Appraisal District has confirmed that the missing value will be added to MUD 140's tax roll this fall on supplemental tax rolls; however, the Master District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(d) The Estimated Appraised Valuation as of June 1, 2026, as shown herein, is comprised of the estimate of appraised value as of June 1, 2026 for MUD 140 and the 2026 Appraised Valuation of MUD 189, all provided by the Appraisal District. Optional exemptions granted by MUD 140 are not available in connection with the estimate of appraised value. The estimated appraised value for MUD 140 includes the 2026 value associated with optional exemptions granted by MUD 140. Optional exemptions are not granted by MUD 189. Increases in value that occur between January 1, 2026 and June 1, 2026, will be appraised for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified in the fall of 2027. See "TAXING PROCEDURES."

(e) Includes the Bonds and the Outstanding Bonds. See FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Outstanding Debt."

(f) See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Estimated Overlapping Debt."

Status of Development as of July 31, 2026 (a)

Participant	Acreage	Total Developed Lots	Completed Homes	Occupied Homes	Homes Under Construction or in a Builders' Name	Vacant Developed Lots	Lots Under Construction (b)
MUD 140	739	1,803	1,245	1,221	249	309	-
MUD 189	443	-	-		-	-	114
Total	1,182	1,803	1,245		249	309	114

Estimated Population: 4,358 (c)

Master District Water, Sewer, and Drainage Debt Service Funds Available:

Water, Sewer, and Drainage Reserve Fund Balance as of August 10, 2026	$1,094,393	(d)
Water, Sewer, and Drainage Reserve Fund Deposit from Bond Proceeds	350,251	(d)(e)
Subtotal Water, Sewer, and Drainage Reserve Funds Available	$1,444,644	
Water, Sewer, and Drainage Debt Service Fund Balance as of August 10, 2026	$ 558,549	(d)(e)
Water, Sewer, and Drainage Debt Service Fund Deposit from Bond Proceeds	788,249	(d)(f)
Subtotal Water, Sewer, and Drainage Debt Service Funds Available	$1,346,798	
Total Funds Available for Water, Sewer, and Drainage Debt Service	$2,791,442	

Master District Road Debt Service Funds Available:

Road Reserve Fund Balance as of August 10, 2026	$505,306	(d)
Road Debt Service Fund Balance as of August 10, 2026	182,226	(d)(e)
Total Funds Available for Road Debt Service	$687,532	
Master District Operating Funds Available as of August 10, 2026	$371,703	(g)
Water, Sewer, and Drainage Master District Capital Projects Funds Available as of August 10, 2026	$69,523	(h)
Road Capital Projects Funds Available as of August 10, 2026	$8,223	

Debt Service Requirements (includes the Bonds and all Outstanding Bonds):

Average Annual Debt Service Requirement (2027-2056)	$3,172,853	(i)
Maximum Annual Debt Service Requirement (2028)	$3,829,794	(h)

(a) See "THE DISTRICT AND SERVICE AREA."

(b) Includes 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026. See "THE DISTRICT AND SERVICE AREA—Land Use" and "—Status of Development."

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

(d) All of the Master District's Contract Revenue Bonds are payable from Contract Taxes (as defined herein). The revenues from the Water, Sewer, and Drainage Contract Tax will be allocated to Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, and the revenues from the Road Contract Tax (as defined herein) will be allocated to the Road Contract Revenue Bonds (as defined herein). The Water, Sewer, and Drainage Debt Service Fund (as defined herein) and Water, Sewer, and Drainage Reserve Fund (as defined herein) will not be pledged to the Road Contract Revenue Bonds, nor will funds deposited into the Road Debt Service Fund and Road Reserve Fund be pledged to Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds.

(e) The Water, Sewer, and Drainage Debt Service Fund balance shown does not reflect the $573,380 Water, Sewer, and Drainage Contract Payment and the Road Debt Service fund balance shown does not reflect the $476,014 Road Contract Payment, both paid by MUD 140 to the Master District by September 1, 2026. See "TAX DATA—Historical Contact Payment Collections."

(f) The District will capitalize $1,138,500 of interest from Bond proceeds, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ, $788,249 of which will be deposited into the Water, Sewer, and Drainage Debt Service Fund and $350,251 of which will be deposited into the Water, Sewer, and Drainage Reserve Fund. The reserve requirement for the Water, Sewer, and Drainage Reserve Fund has been established in the Bond Resolution to be a sum of money equal to one-half of the maximum annual debt service requirements ($2,889,288) on the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, which is $1,444,644. See "MASTER DISTRICT CONTRACT" and "INDENTURE OF TRUST."

(g) See "RISK FACTORS—Operational Expenses."

(h) The Master District expects to contribute $69,279 of surplus Water, Sewer, and Drainage Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(i) Each Participant is obligated to pay the debt service on the Bonds by the dates specified in the Master District Contract. See "MASTER DISTRICT CONTRACT," "THE BONDS—Unconditional Obligation to Pay" and "THE INDENTURE OF TRUST."

Tax Rate of the Participants (a)

	2025 Debt Service Tax	2025 Maintenance Tax	2025 Contract Tax	2025 Total Tax Rate (c)
MUD 140 (b)	$ 0.61	$ 0.16	$ 0.48	$ 1.25

(a) MUD 189 expects to levy its initial tax rate in the fall of 2026.
(b) MUD 140 has authorized the publication of a total 2026 tax rate of $1.25, the allocation of which will be determined upon adoption of the tax rate in October 2026.
(c) Does not include overlapping tax rates of the county, school district or any other taxing entities. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Estimated Overlapping Taxes" and "APPENDIX A."

OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
(A political subdivision of the State of Texas located within Montgomery County)

$11,385,000

CONTRACT REVENUE BONDS (WATER, SEWER, AND DRAINAGE FACILITIES) SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 186 (the "District" or the "Master District") of its $11,385,000 Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2026 (the "Bonds").

The Bonds are issued pursuant to the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract"), between the Master District and the Participants (as defined below), 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, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the Master District (the "Board"), an Indenture of Trust (the "Water, Sewer, and Drainage Indenture") by and between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee (the "Trustee") and an order of the Texas Commission on Environmental Quality (the "TCEQ").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds, the Bond Resolution, and the Water, Sewer, and Drainage Indenture, and certain other information about the District, CC SCOA III, LP, a Texas limited partnership (the "Developer"), and development activity in the Service Area. 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.

MASTER DISTRICT CONTRACT

Montgomery County Municipal Utility District No. 140 ("MUD 140") and Montgomery County Municipal Utility District No. 189 ("MUD 189") are part of a regional system (the "Master District System") in which the Master District provides, finances, constructs, owns, operates, and/or maintains certain public regional water, sewer, drainage, road and park facilities ("Master District Facilities") to ultimately serve other municipal utility districts (each a "Participant") that i) are located within the Master District's Service Area (defined below), ii) have entered into the Master District Contract (defined below) with the Master District; and iii) are receiving services from the Master District. Each Participant will finance, construct, own, operate and maintain its own internal water distribution, wastewater collection and storm drainage utilities and internal roads within its boundaries ("Internal District Facilities").

The Master District's "Service Area" is approximately 2,319 acres of land generally located adjacent to Texas State Highway 99 (the "Grand Parkway"), west of Farm-to-Market 1314 and east of the San Jacinto River in the extraterritorial jurisdiction of the City of Conroe, Texas (the "City"). The District serves as the Master District for the Master District System. Each of the Participants has executed 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 the respective districts, as required by law, at their respective elections. As the only municipal utility districts to have approved the Master District Contract, MUD 140 and MUD 189 are currently the only Participants in the Master District System. MUD 140 and MUD 189 are also the only municipal utility district within the Service Area to be actively developing. The land in the District is undevelopable, except for recreational uses, and it is not currently expected that the District will enter into the Master District Contract as a participant or become a participant in the future. There are currently three additional municipal utility districts other than the Master District, MUD 140 and MUD 189 within the Service Area. These are Montgomery County Municipal Utility District No. 187 ("MUD 187"), Montgomery County Municipal Utility District No. 188 ("MUD 188") and Montgomery County Municipal Utility District No. 190 ("MUD 190"); however, these districts are not actively developing and have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. 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. 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 and levying a Contract Tax in the fall of 2027.

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. Each Participant is required to levy and collect a Contract Tax, without legal limit as to rate or amount, on all taxable property within its boundaries sufficient to pay its pro-rata share 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 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 any other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

Each Participant's pro-rata share of the debt service payments on Master District Bonds is calculated as the Certified Appraised Valuation of property located in such district as a percentage of the Certified Appraised Valuation of property located within the boundaries of all districts in the Service Area that have approved the Master District Contract. 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.

Each Participant will be responsible for levying a Contract Tax on all taxable property within its boundaries sufficient to pay their pro-rata share 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 MUD 140 and MUD 189. MUD 140 levied a total tax rate of $1.25 per $100 of taxable assessed valuation for 2025 with $0.61 per $100 of taxable assessed valuation allocated to debt service, $0.48 per $100 of taxable assessed valuation allocated to Contract Tax, and $0.16 per $100 of taxable assessed valuation allocated to maintenance and operations. MUD 140 has authorized the publication of a total 2026 tax rate of $1.25, the allocation of which will be determined upon adoption of the tax rate in October 2026. MUD 189 expects to levy its initial tax rate in 2026, which will include a Contract Tax.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses, with each Participants' 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. Currently, as the only Participants, MUD 140 are MUD 189 are responsible for paying all of the administrative expenses of the Master District, which each pays in the form of "Monthly Charges" invoiced monthly by the Master District; provided, however, that MUD 189 will not pay monthly charges until it has water and/or sewer connections, which are anticipated in the first quarter of 2027.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution and the Water, Sewer, and Drainage Indenture. Copies of the Water, Sewer, and Drainage Indenture and the Bond Resolution may be obtained from the District upon request to Bond Counsel. The Water, Sewer, and Drainage Indenture and the Bond Resolution authorize the issuance and sale of the Bonds and prescribe 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 October 1, 2026 and will mature on the dates and in the amounts and accrue interest, beginning on the Date of Delivery (expected to be on or about October 13, 2026), at the rates shown on the cover page hereof. Interest on the Bonds is payable June 1, 2027 and each December 1 and June 1 thereafter until 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.

The Bonds will be issued only in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on 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. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, whether at maturity or by prior redemption, at the principal payment office of the Paying Agent/Registrar in Houston, Texas, and interest on each Bond shall be payable by check or draft dated as of the Interest Payment Date, mailed by the Paying Agent/Registrar on each Interest Payment Date to the registered owner of record (the "Registered Owner") as of the close of business on the fifteenth day of the month next 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 Owner at the risk and expense of the Registered Owner.

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 without additional interest and with the same force and effect as if made on the specified date for such payment.

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.

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.

Authority for Issuance

At separate elections, voters of the Participants and the Master District approved the Master District Contract and the levy of a Contract Tax in support thereof. The Master District Contract authorizes the Master District to issue contract revenue bonds for the purpose of purchasing or acquiring and constructing regional water, sewer and drainage facilities ("Water, Sewer, and Drainage Contract Revenue Bonds") and refunding of such bonds. The Master District Contract also authorizes the Master District to issue other Contract Revenue Bonds (defined herein) for other purposes. See "MASTER DISTRICT CONTRACT" and "RISK FACTORS—Future Debt."

The Bonds are issued by the Master District pursuant to the Water, Sewer, and Drainage Indenture, the Master District Contract, the terms and conditions of the Bond Resolution, Chapter 8425, Texas Special District Local Laws Code, and under Article XVI, Section 59 of the Texas Constitution, and operating under the provisions of Chapters 49 and 54, 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 and an order of the TCEQ.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment, the sufficiency of the Contract Payments (hereinafter defined) to pay principal and interest on the Bonds or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Source and Security of Payment

The Bonds are payable solely from the Water, Sewer, and Drainage Pledged Revenues (defined herein). The Master District Contract provides that each Participant shall pay a pro-rata share of debt service on the Water, Sewer, and Drainage Contract Revenue Bonds, the bonds issued by the Master District for the purpose of purchasing or acquiring regional road facilities ("Road Contract Revenue Bonds") and the bonds issued by the Master District for the purpose of purchasing or acquiring regional park facilities ("Park Contract Revenue Bonds") (collectively, the "Contract Revenue Bonds"), including the Bonds, based upon such Participant's Certified Appraised Valuation as a percentage of the total Certified Appraised Valuation of all districts in the Service Area that have approved the Master District Contract. The debt service requirements shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolution or the Indentures (as defined herein). Each Participant is obligated to pay its pro-rata share of the annual debt service on the Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, the Road Contract Revenue Bonds and the Park Contract Revenue Bonds from the proceeds of an annual ad valorem tax, which is not limited as to rate or amount, or from any other legally available funds of such Participant. Each Participant's pro-rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax for the purpose of paying debt service on the Contract Revenue Bonds is the sole responsibility of each Participant. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Montgomery County, the City, any of the Participants, or any entity other than the Master District. See "THE INDENTURE OF TRUST."

The Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, and the Road Contract Revenue Bonds are secured by the Indentures (as defined herein). Pursuant to the Indentures (as defined herein), the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Water, Sewer, and Drainage Contract Payments and the Road Contact Payments required by the Master District Contract. See "THE INDENTURE OF TRUST."

Contract Payments by the Participants

Principal of and interest on the Bonds are payable from and secured by the Water, Sewer, and Drainage Pledged Revenues. By execution of the Master District Contract, each Participant has agreed to make payments to the Master District for the payment of debt service on the Master District's Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds ("Water, Sewer, and Drainage Contract Payments") in an amount equal to its pro-rata share of the annual debt service on the Water, Sewer, and Drainage Contract Revenue Bonds plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Water, Sewer, and Drainage Reserve Fund, established under the Bond Resolution or Water, Sewer, and Drainage Indenture based upon each Participant's Certified Appraised Valuation as a percentage of the total Certified Appraised Valuation of all Participants in the Service Area that have approved the Master District Contract. Each Participant is obligated to make such payments from the proceeds of an annual unlimited ad valorem tax levied by each Participant for such purpose on all taxable land within its boundaries (the "Water, Sewer, and Drainage Contract Tax"), or from any other lawful source of income. See "Source and Security of Payment" above. No Participant is liable for the payments due by any other Participant; however, failure of any Participant to make its Contract Payments could result in an increase in the Contract Payments amount paid by each of the other Participants. See "MASTER DISTRICT CONTRACT." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of "Contract Payments" (consisting of Water, Sewer, and Drainage Contract Payments, payments required by the Master District Contract to be made to the Master District by each Participant for the payment of debt service on the Master District's Road Contract Revenue Bonds ("Road Contract Payments") and payments required by the Master District Contract to be made to the Master District by each Participant for the payment of debt service on the Master District's Park Contract Revenue Bonds ("Park Contract Payments")) due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Master District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each Participant to the Master District semiannually by the dates specified by the Master District. The Master District will specify March 1 and September 1 of each year as the dates by which each Participant's Contract Payments (including the Water, Sewer, and Drainage Contract Payments) are due to the Master District. The Water, Sewer, and Drainage Indenture provides that the Contract Payments will be paid to the Trustee semiannually on or before June 1 and December 1 of each year.

Contract Payments from each Participant may consist of the proceeds of the Water, Sewer, and Drainage Contract Tax, a contract tax levied and collected by each Participant in accordance with the Master District Contract for the payment of Park Contract Revenue Bonds (the "Park Contract Tax"), and a contract tax levied and collected by each Participant in accordance with the Master District Contract for the payment of Road Contract Revenue Bonds (the "Road Contract Tax"); however, only that portion of the Contract Payments derived from the Water, Sewer, and Drainage Contract Tax, as well as other amounts pledged pursuant to the Water, Sewer, and Drainage Indenture, are pledged to the payment of the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, the Bonds, and any future Water, Sewer, and Drainage Contract Revenue Bonds (the "Water, Sewer, and Drainage Pledged Revenues"). The Water, Sewer, and Drainage Contract Tax, Park Contract Tax, and Road Contract Tax are collectively referred to herein as the "Contract Tax."

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract.

All sums required to be paid by the Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract.

If any Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the Participant will receive credit for its over-payments. See "MASTER DISTRICT CONTRACT."

Funds

In the Bond Resolution, the Water, Sewer, and Drainage Debt Service Fund and the Water, Sewer, and Drainage Reserve Fund are confirmed, and the proceeds from the Water, Sewer, and Drainage Contract Payments collected for and on account of the Bonds shall be deposited, as collected, in such funds. The reserve requirement for the Water, Sewer, and Drainage Reserve Fund has been established in the Bond Resolution to be a sum of money equal to one-half of the maximum annual debt service requirements on the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds.

The District will capitalize $1,138,500 of interest from Bond proceeds, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. Of such $1,138,500, $788,249 will be deposited into the Water, Sewer, and Drainage Debt Service Fund and $350,251 will be deposited into the Water, Sewer, and Drainage Reserve Fund to satisfy the Water, Sewer, and Drainage Reserve Fund Requirement which has been established in the Bond Resolution to be a sum of money equal to one-half of the maximum annual debt service requirements ($2,889,288) on the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, which is $1,444,644. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)." The remaining proceeds of the Bonds shall be deposited into the Water, Sewer, and Drainage Capital Projects Fund, to be used for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," including paying Developer interest, and for paying the costs of issuance of the Bonds.

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

Mandatory Redemption: The Bonds maturing on December 1 in each of the years 2052, 2054, and 2056 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on December 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$1,150,000 Term Bonds Due December 1, 2052		$1,270,000 Term Bonds Due December 1, 2054		$1,395,000 Term Bonds Due December 1, 2056	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2051	$ 560,000	2053	$ 620,000	2055	$ 680,000
2052 (maturity)	590,000	2054 (maturity)	650,000	2056 (maturity)	715,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after December 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on December 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.

Annexation and Strategic Partnership Agreement

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

The Master District and the City entered into an SPA, effective February 10, 2022, whereby the City may, but is not required to, annex the Master District for full purposes at such time as the City annexes any one or more of the Participants. Until such time as the City annexes the Participants and all districts within the Service Area that have approved the Master District Contract, the Master District shall continue to exist, and may not be dissolved by the City, to provide its services to the Participants and all districts within the Service Area that have approved the Master District Contract and continue to service the Master District's outstanding Contract Revenue Bonds. See "THE PARTICIPANTS—Strategic Partnership Agreement."

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.

Defeasance

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

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

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

Issuance of Additional Debt

Pursuant to the Master District Contract, and in connection with the development of the Service Area, the Master District may issue additional Contract Revenue Bonds in an amount necessary to provide the Master District Facilities and to refund outstanding debt. Any future Contract Revenue Bonds will be on parity with the Bonds. The Master District anticipates that it will issue additional Contract Revenue Bonds. The Master District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional Contract Revenue Bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, except that no TCEQ approval currently is required for the issuance of Road Contract Revenue Bonds or for the refunding of Contract Revenue Bonds. See "RISK FACTORS—Future Debt."

Financing Parks and Recreational Facilities

The Master District and the Participants have each been authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The Master District is authorized by the Master District Contract to issue its Park Contract Revenue Bonds for the regional park and recreational facilities to serve the Service Area ("Regional Park Facilities") and refunding of such bonds. Before the District could issue any of such Park Contract Revenue Bonds for construction or acquisition of park/recreational facilities, the following actions would be required: (a) approval of the park projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. At such time as the Master District issues Park Contract Revenue Bonds, each Participant would pay for its share of the debt service requirements on the Park Contract Revenue Bonds from ad valorem contract taxes levied by the Participant. The principal amount of bonds issued to finance parks and recreational facilities may not exceed one percent (1%) of the value of the taxable property in the Participants, unless the Master District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the Master District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the Participants.

Financing Road Facilities

The Master District and the Participants have each been authorized by statute and order of the TCEQ to design, acquire, construct, finance, and issue bonds for roads. The Master District is authorized by the Master District Contract to issue Road Contract Revenue Bonds for the regional roadways to serve the Service Area ("Master District Road Facilities") and refunding of such bonds. Before the District can issue Road Contract Revenue Bonds, approval of the bonds by the Attorney General of Texas is required. The TCEQ does not currently have rules in place regulating the review and approval of road bond issues by districts. Under the Master District Contract, the Master District pays for the capital costs of designing and constructing the Master District Road Facilities through Road Contract Revenue Bonds. Each Participant is required to pay for its share of the debt service requirements on the Road Contract Revenue Bonds from ad valorem contract taxes levied by the Participant.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. Upon the occurrence of an Event of Default (as defined herein), the Trustee may proceed to protect and enforce the rights of the Registered Owners of the Bonds. The Water, Sewer, and Drainage Indenture provides certain limitations on Registered Owners of the Bonds to institute suits, actions or proceedings at law or in equity upon the occurrence of an Event of Default. If the District defaults, the Trustee or, if permitted, the Registered Owners could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution and the Master District Contract. Such remedy might need to be enforced on a periodic basis and may prove time-consuming, costly, and difficult to enforce. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. 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 property of the Master District or property within any of the Participants. Further, the Registered Owners cannot themselves foreclose on property within any of the Participants or sell property within the Participants to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "THE INDENTURE OF TRUST—Remedies," "—Limitation on Action by Owners" and "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

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.

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 Master 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 Master District and the non-construction costs will be finalized after the sale of the Bonds and review by the Master 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.

CONSTRUCTION COSTS		
• Construction Costs	$	7,026,032
• Geotechnical, Engineering and Testing		657,611
• Stormwater Pollution Prevention		170,644
• Wholesale Water and Sewer Capacity Purchase		270,000
• Lift Station No. 2		714,450
• Less: Surplus Funds (a)		(69,279)
Total Construction Costs	**$**	**8,769,458**
NON-CONSTRUCTION COSTS		
• Underwriter's Discount	$	341,550
• Capitalized Interest (b)(c)		1,138,500
• Developer Interest		601,680
Total Non-Construction Costs	**$**	**2,081,730**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	440,849
• Bond Application Report		55,000
• State Regulatory Fees		37,963
Total Issuance Costs and Fees	**$**	**533,812**
TOTAL BOND ISSUE	**$**	**11,385,000**

(a) The Master District expects to contribute $69,279 of surplus Water, Sewer, and Drainage Capital Projects Funds toward the issuance of the Bonds. See "SELECTED FINANCIAL INFORMATION (UNAUDITED)"

(b) The District will capitalize $1,138,500 of interest from Bond proceeds, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ.

(c) The District will deposit $350,251 of the capitalized interest into the Water, Sewer, and Drainage Reserve Fund to satisfy the Water, Sewer, and Drainage Reserve Fund Requirement, which is $1,444,644, and $788,249 of the capitalized interest will be deposited into the Water, Sewer, and Drainage Debt Service Fund. See "MASTER DISTRICT CONTRACT," "THE INDENTURE OF TRUST" and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)."

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 INDENTURE OF TRUST

The Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, are secured by the Indenture of Trust by and between the Master District to The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as Trustee, dated as of March 30, 2023 and First Supplement to Indenture of Trust dated January 8, 2024 (together, the "Water, Sewer, and Drainage Indenture"). Pursuant to the Water, Sewer, and Drainage Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Water, Sewer, and Drainage Contract Tax payments under the Master District Contract. Such Water, Sewer, and Drainage Contract Payments, together with all amounts from time to time on deposit in the Water, Sewer, and Drainage Debt Service Fund and Water, Sewer, and Drainage Reserve Fund maintained by the Trustee pursuant to the Water, Sewer, and Drainage Indenture, together with any other property from time to time hereafter conveyed or granted to the Trustee as additional security for the Water, Sewer, and Drainage Contract Revenue Bonds, shall constitute the "Water, Sewer, and Drainage Pledged Revenues" held by the Trustee under the Water, Sewer, and Drainage Indenture.

Pursuant to the Water, Sewer, and Drainage Indenture, the Trustee is to maintain the Water, Sewer, and Drainage Debt Service Fund and Water, Sewer, and Drainage Reserve Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Water, Sewer, and Drainage Contract Revenue Bonds. The Master District has covenanted in the Water, Sewer, and Drainage Indenture that it will cause to be charged to each Participant, for deposit into the Water, Sewer, and Drainage Debt Service Fund, Water, Sewer, and Drainage Contract Payments in amounts sufficient, together with other Water, Sewer, and Drainage Pledged Revenues, to provide for the timely payment of all principal and interest due on the Water, Sewer, and Drainage Contract Revenue Bonds. Subject to the provisions of applicable law and the Master District Contract, the Master District has covenanted in the Water, Sewer, and Drainage Indenture to use its best efforts to cause to be paid by each Participant all Water, Sewer, and Drainage Contract Payments when due directly to the Trustee. The Water, Sewer, and Drainage Debt Service Fund and the Water, Sewer, and Drainage Reserve Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts in the Water, Sewer, and Drainage Reserve Fund shall be used to pay interest on and principal of the Bonds when insufficient funds are available for such purpose in the Water, Sewer, and Drainage Debt Service Fund or shall be applied toward the payment of principal of or interest on the Water, Sewer, and Drainage Contract Revenue Bonds in connection with a refunding or redemption. The Water, Sewer, and Drainage Reserve Fund Requirement has been established in the Bond Resolution to be, with respect to the Water, Sewer, and Drainage Contract Revenue Bonds, a sum of money equal to one-half of the maximum annual debt service requirements on the Water, Sewer, and Drainage Contract Revenue Bonds then outstanding. Any funds in excess of the Water, Sewer, and Drainage Reserve Fund Requirement held in the Water, Sewer, and Drainage Reserve Fund may be deposited into the Water, Sewer, and Drainage Debt Service Fund, as directed by the Master District's Board of Directors.

Events of Default

The Water, Sewer, and Drainage Indenture provides that an Event of Default shall be either of the following occurrences:

(a) Failure to pay when due the principal, redemption price or interest on any Water, Sewer, and Drainage Contract Revenue Bonds; or

(b) Failure to deposit to the Water, Sewer, and Drainage Debt Service Fund money sufficient to pay any principal of or interest on any Water, Sewer, and Drainage Contract Revenue Bond no later than the date when it becomes due and payable.

Remedies

The Water, Sewer, and Drainage Indenture provides that if an event of default by the Master District exists, then, in addition to other rights and remedies, the Trustee, subject to the provisions of the Water, Sewer, and Drainage Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Water, Sewer, and Drainage Indenture, the Bond Resolution or the Water, Sewer, and Drainage Contract Revenue Bonds or in aid of the execution of any power granted in the Water, Sewer, and Drainage Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Registered Owners, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the board of directors or other officers of the Master District or any Participant to make any Water, Sewer, and Drainage Contract Payment (but only from and to the extent of the sources provided in the Water, Sewer, and Drainage Indenture and the Master District Contract) or to observe and perform the covenants, obligations or conditions of the Water, Sewer, and Drainage Indenture or the Master District Contract relating to the Water, Sewer, and Drainage Contract Revenue Bonds. The Water, Sewer, and Drainage Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Water, Sewer, and Drainage Contract Revenue Bonds, may act as attorney in fact for the Registered Owners of the Water, Sewer, and Drainage Contract Revenue Bonds, that no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Water, Sewer, and Drainage Indenture does not provide for any acceleration of maturity of the Water, Sewer, and Drainage Contract Revenue Bonds or provide for the foreclosure upon any property or assets of the Master District, other than applying the Water, Sewer, and Drainage Pledged Revenues in the manner provided in the Water, Sewer, and Drainage Indenture.

Limitation on Action by Owners

The Water, Sewer, and Drainage Indenture imposes certain limitations on Registered Owners of Water, Sewer, and Drainage Contract Revenue Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of all Water, Sewer, and Drainage Contract Revenue Bonds then outstanding and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Water, Sewer, and Drainage Contract Revenue Bonds then outstanding shall have the right, by written instrument delivered to the Trustee, to direct to the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Water, Sewer, and Drainage Indenture or for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings under the Water, Sewer, and Drainage Indenture; provided, however, that such direction shall not be contrary to law or the provisions of the Water, Sewer, and Drainage Indenture, and the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability or would be unjustly prejudicial to the Registered Owners of the Water, Sewer, and Drainage Contract Revenue Bonds not consenting.

Amendments to the Indenture of Trust

Without the consent of the Registered Owners of any of the Water, Sewer, and Drainage Contract Revenue Bonds, the Master District and the Trustee may from time to time enter into one or more indentures supplemental to the Water, Sewer, and Drainage Indenture, which shall form a part of the Water, Sewer, and Drainage Indenture, for any one or more of the following purposes:

(1) to cure any ambiguity, inconsistency or formal defect or omission in the Water, Sewer, and Drainage Indenture, or any supplemental indenture, so long as said cure is not inconsistent with the Water, Sewer, and Drainage Indenture and does not adversely affect the interest of the owners of any outstanding Water, Sewer, and Drainage Contract Revenue Bonds;

(2) to grant to or confer upon the Trustee for the benefit of the Registered Owners of the Water, Sewer, and Drainage Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners of the Water, Sewer, and Drainage Contract Revenue Bonds or the Trustee or either of them;

(3) to subject to the lien of the Water, Sewer, and Drainage Indenture additional revenues, properties or collateral;

(4) to modify, amend or supplement the Water, Sewer, and Drainage Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Water, Sewer, and Drainage Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;

(5) to obtain or provide for bond insurance for the Water, Sewer, and Drainage Contract Revenue Bonds; provided, however, the Master District (at its option) may obtain or provide for bond insurance for any Water, Sewer, and Drainage Contract Revenue Bonds through Bond Resolution(s) without the need for a supplemental indenture;

(6) to add to any statutory terms and conditions imposed on the City of Conroe (or any other entity that may become the legal successor to the Master District) in connection with the assumption of the Master District's obligations under the Water, Sewer, and Drainage Indenture;

(7) to create (or provide for the terms and conditions of) additional funds, and accounts or sub-accounts within any funds established by the Water, Sewer, and Drainage Indenture or the Bond Resolutions; provided, however, the Master District (at its option) may do any of same without the need for a supplemental indenture;

(8) to modify any provision of the Water, Sewer, and Drainage Indenture or any supplemental indenture in any respect whatsoever, provided that such action shall not adversely affect the interests of the owners of any outstanding Water, Sewer, and Drainage Contract Revenue Bonds; provided, however, prior to the joining in the execution of any modification of the Water, Sewer, and Drainage Indenture pursuant to this subsection, the Trustee shall receive an opinion of counsel stating that such modification is authorized and permitted under the Water, Sewer, and Drainage Indenture; and

(9) to obtain or provide for one or more debt service reserve fund surety policies to satisfy some or all of the Water, Sewer, and Drainage Reserve Fund Requirement.

Except as provided in the preceding paragraph, any modification, change or amendment of the Water, Sewer, and Drainage Indenture may be made only by a supplemental indenture adopted and executed by the Master District and the Trustee with the consent of the Registered Owners of not less than a majority of the aggregate principal amount of the Water, Sewer, and Drainage Contract Revenue Bonds then outstanding. However, without the consent of the Registered Owner of each outstanding Water, Sewer, and Drainage Contract Revenue Bond, no modification, change or amendment to this Water, Sewer, and Drainage Indenture shall:

(1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium if any, thereon, or the rate of interest thereon, or make the principal thereof or premium if any, or interest thereon payable in any coin or currency other than 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, or deprive such Registered Owner of the lien imposed by the Water, Sewer, and Drainage Indenture on the revenues pledged in the Water, Sewer, and Drainage Indenture; or

(2) modify, change or amend the Water, Sewer, and Drainage Indenture (except as provided in the Expanded Purposes Subsection of the Water, Sewer, and Drainage Indenture, as discussed above under "Amendments to the Indenture of Trust") to permit the creation of any lien on the revenues pledged in the Water, Sewer, and Drainage Indenture equal or prior to the lien imposed by the Water, Sewer, and Drainage Indenture.

Road Contract Revenue Bonds and Park Contract Revenue Bonds

The Master District has issued Road Contract Revenue Bonds under a separate indenture of trust dated August 14, 2023 (the "Road Indenture"), by and between the Master District and The Bank of New York Mellon Trust Company, N.A., for purposes of issuing Road Contract Revenue Bonds. The Water, Sewer, and Drainage Indenture and the Road Indenture are collectively referred to as the "Indentures." The lien and revenues pledged by the Road Indenture do not include any payments to be made to the Master District by the Participants to pay for any Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds (or Master District Water, Sewer, and Drainage Facilities).

The Indentures provide that the Master District reserves the right: (i) to issue Park Contract Revenue Bonds pursuant to indenture(s) of trust and to require the Participants to make payment for same as provided for in the Master District Contract, (ii) to enter into future indenture(s) of trust with any trustee in connection with Park Contract Revenue Bonds, and (iii) to create debt service and debt service reserve funds for same. The lien and revenues pledged by the Indentures do not include any payments to be made to the Master District by the Participants to pay for Park Contract Revenue Bonds (or the Master District Park Facilities), except to the extent the Water, Sewer, and Drainage Indenture may be amended or supplemented to expand its purposes to include Park Contract Revenue Bonds.

Removal or Resignation of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Registered Owners of a majority in principal amount of the Water, Sewer, and Drainage Contract Revenue Bonds then outstanding and delivered to the Trustee, with notice thereof given to the Master District.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Master District and by providing written notice to the Registered Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first class mail, postage prepaid to each Registered Owner of Water, Sewer, and Drainage Contract Revenue Bonds. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

Appointment of Successor Trustee

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting under the Water, Sewer, and Drainage Indenture, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Registered Owners of a majority in principal amount of the Water, Sewer, and Drainage Contract Revenue Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such Registered Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Master District; provided, however, that in any of the events above mentioned, the Master District may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Registered Owners in the manner above provided, and any such temporary Trustee so appointed by the Master District shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Registered Owners. The Master District shall provide written notice to the Registered Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided for providing notice of the resignation of the Trustee as described above under "Removal or Resignation of Trustee." Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $100,000,000.

In the event that no appointment of a successor Trustee is made by the Registered Owners or by the Master District pursuant to the foregoing provisions at the time a vacancy in the office of the Trustee shall have occurred, the Registered Owner of any Water, Sewer, and Drainage Contract Revenue Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

THE PARTICIPANTS

Creation, Authority and Description

All Participants operate as municipal utility districts pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, are located within the Service Area and have approved the Master District Contract at an election held for such purpose. To serve the property within its boundaries, each Participant has the power to construct, acquire, operate, maintain and finance water, wastewater and drainage, park and recreational facilities and roads.

Each Participant is empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which it was created.

Authorized Bonds

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing Internal District Facilities to the land within each Participant's respective boundaries (separate and apart from the Master District Facilities). Such bonds are secured by a continuing, annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "Contract Tax" below.

Each Participant has voted bonds for purposes of providing internal water distribution, wastewater collection and storm drainage facilities, road, and park and recreational facilities within its respective boundaries.

See "APPENDIX A" for a description of the voter authorized bonds, principal amount of bonds issued and principal amount of bonds outstanding, if any, for each Participant.

Operations

Each Participant has or will construct Internal District Facilities, within such Participant's boundaries. Pursuant to the Master District Contract, each Participant obtains potable water and sewer services from the Master District. Each Participant sets its own retail rates for water and sewer service, and is required by the Master District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and, together with tax revenues, to pay its Contract Payments. The Master District does not expect that revenues from the Participants' retail charges will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds.

Contract Tax

The District, in its capacity as the Master District, has the authority to issue Contract Revenue Bonds, including the Bonds. Each Participant's pro-rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Certified Appraised Value by the total of the Certified Appraised Value of all districts within the Service Area that have approved the Master District Contract, calculated annually. Calculation of Contract Payments is based upon the Certified Appraised Value and does not make allowances for any exemptions granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Master District Contract obligates each Participant to pay its pro-rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes without legal limit as to rate or amount, or from any other legally available funds. The Master District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include 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 a bond resolution or indenture of trust.

Water, Sewer, and Drainage Contract Tax payments (all of which are derived from the Water, Sewer, and Drainage Contract Tax or other legally available funds of the Participants) are not pledged for and are not available to be used to: (i) pay debt service on the Park Contract Revenue Bonds or the Road Contract Revenue Bonds; or (ii) fund or maintain the reserve fund for the Park Contract Revenue Bonds (the "Park Reserve Fund") or the reserve fund for the Road Contract Revenue Bonds (the "Road Reserve Fund"). Park Contract Tax payments (all of which are derived from the Park Contract Tax or other legally available funds of the Participants) are not pledged for and are not available to be used to: (i) pay debt service on the Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, or the Road Contract Revenue Bonds; or (ii) fund or maintain the Water, Sewer, and Drainage Reserve Fund or the Road Reserve Fund. Road Contract Tax payments (all of which are derived from the Road Contract Tax or other legally available funds of the Participants) are not pledged for and are not available to be used to: (i) pay debt service on the Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, or Park Contract Revenue Bonds; or (ii) fund or maintain the Water, Sewer, and Drainage Reserve Fund or the Park Reserve Fund.

Direct Debt Service Tax

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing water distribution, wastewater collection and storm drainage facilities and road and park/recreational facilities to serve the land within each Participant's respective boundaries. Such bonds are secured by a continuing, annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "APPENDIX A."

Maintenance and Operations Taxes

The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance tax may be levied in addition to taxes which each Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Taxes. See "APPENDIX A."

Strategic Partnership Agreement

Each Participant is authorized to enter into a strategic partnership agreement ("SPA") with the City to provide the terms and conditions under which the City may annex such district.

The Master District and the City entered into an SPA, effective February 10, 2022, whereby the City may, but is not required to, annex the Master District for full purposes at such time as the City annexes any one or more of the Participants. Until such time as the City annexes the Participants and all districts within the Service Area that have approved the Master District Contract , the Master District shall continue to exist, and may not be dissolved by the City, to provide its services to the Participants and all districts within the Service Area that have approved the Master District Contract and continue to service the Master District's outstanding Contract Revenue Bonds.

MUD 140 and the City entered into an SPA effective January 28, 2021, whereby the City may, but is not required to, annex MUD 140 for full purposes at any time on or after the earlier of (i) the time MUD 140 has constructed the water, wastewater, drainage, detention, recreational and road facilities necessary to serve at least 95% of the developable land within MUD 140 and has fully reimbursed MUD 140'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 MUD 140 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 MUD 140, it has agreed to pay MUD 140 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.

MUD 189 anticipates entering into an SPA with the City in the fourth quarter of 2026.

At the time the City annexes the Participants and all districts within the Service Area that have approved the Master District Contract for full-purposes, it shall determine whether to allow the District to continue as a limited district for the purposes of providing its services and continuing to service its outstanding bonded indebtedness or to dissolve the District. If the City dissolves the District, it must assume the assets and liabilities of the district, including the obligation to pay debt service on any outstanding bonded indebtedness of the District. See "THE BONDS—Annexation and Strategic Partnership Agreement."

Consolidation

Each Participant 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 Participants, no representation is made concerning the likelihood of consolidation in the future.

Management

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within such Participant to serve four-year staggered terms. All such directors reside or own taxable property within the boundaries of the Participant on whose board they serve. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater and storm drainage facilities is subject to regulation by other agencies.

Financial Data

See "APPENDIX A" for financial information for each Participant.

Future Participants

The Master District may contract with each of MUD 187, MUD 188, and MUD 190 in the future if the Boards of Directors of MUD 187, MUD 188, or MUD 190 and the voters of MUD 187, MUD 188, or MUD 190 approve the Master District Contract and the Master District Contract is then executed by such districts. At that time, such districts shall become "Participants" under the Master District Contract and shall be required to pay their respective pro-rata shares of debt service on the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, as well as their respective pro-rata shares of other Master District Contract Revenue Bonds, all as provided in the Master District Contract, bond resolutions, and the Indentures. The land in the District is undevelopable, except for recreational uses, and it is not currently expected that the District will enter into the Master District Contract as a participant or become a participant 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 and levying a Contract Tax in the fall of 2027.

The Service Area may only be enlarged upon the approval of two-thirds (2/3) of all districts within the Service Area that have approved the Master District Contract, in which case the Master District would have the right to contract with other participants for the expanded Service Area. Any contract with a party outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities are subject to the terms and conditions of the Master District Contract and must not impair the right of the existing Participants to receive services from the Master District, which are established under the Master District Contract for the number of connections reserved to the Participant, except with the consent of the Participant. The Master District agrees that it will only contract with other participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract.

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 private 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 is occurring within MUD 140 and MUD 189, and recreational facilities are within the boundaries of MUD 140, with the exception of the golf course and portions of the trails and nature preserves, which are located outside the boundaries of MUD 140 but are in the Service Area boundaries.

THE DISTRICT AND SERVICE AREA

General

The Master District included approximately 346 acres of land at creation. The Master District adopted an Order Excluding Certain Lands from the Master District on March 26, 2021, whereby approximately 57 acres of land was excluded from the Master District. The Order Excluding Certain Lands redefined the boundaries of the Master District to include approximately 289 acres of land, which comprise the present boundaries of the Master District. Currently, the only Participants are MUD 140, which currently includes approximately 739 acres of land within its boundaries, and MUD 189, which currently includes approximately 443 acres of land within its boundaries. The land in the District is undevelopable, except for recreational uses, and it is not currently expected that the District will enter into the Master District Contract as a participant or become a participant in the future. There are three additional municipal utility districts other than the Master District, MUD 140 and MUD 189 within the Service Area: MUD 187, MUD 188, and MUD 190, that collectively encompass 1,137 acres. These districts are not actively developing, have not entered into the Master District Contract, 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 and levying a Contract Tax in the fall of 2027. See "THE SYSTEM."

Description and Location

The District encompasses approximately 289 acres of land, and in its capacity as the Master District has a Service Area of approximately 2,319 acres of land, including the acreage within the District's boundaries. The Service Area is located wholly within Montgomery County, Texas, and the extraterritorial jurisdiction of the City and within the boundaries of the New Caney Independent School District. The Service Area is approximately 35 miles north of the central downtown business district of Houston, The Service Area is bisected by the Grand Parkway and located approximately midway between Interstate Highway 45 and U.S. Highway 69. The West Fork San Jacinto River forms the western boundary and Farm-to-Market 1314 is to the east of the Service Area. The Service Area is accessible from Texas the Grand Parkway. See "AERIAL LOCATION MAP."

Land Use

The Service Area currently includes approximately 402 acres developed as 1,803 single-family residential lots, approximately 20 acres where utility and/or paving is under construction for 114 single-family residential lots in the fourth quarter of 2026 in MUD 189, approximately 43 acres developed for two school sites, approximately 764 acres of undevelopable land consisting of utility sites, easements and detention, approximately 374 acres of recreational and open space and approximately 716 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 Service Area. See "Status of Development" in this section.

Single Family Residential	Approximate Acres	Lots
MUD 140	402	1,803
MUD 189 (a)	20	114
Subtotal	422	1,917
School (b)	43	-
Future Development	716	-
Recreation/Open Space	374	-
Undevelopable (c)	764	-
Totals	2,319	1,917

(a) Includes 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026. See "Status of Development" in this section.

(b) An elementary school has been constructed on approximately 14 acres in MUD 140 and is exempt from ad-valorem taxation. A middle school is under construction on approximately 29 acres located in the Service Area but not in the boundaries of the Participants or the District and is expected to be completed and open by August 2027.

(c) Represents utility sites, easements and detention.

Status of Development

Single-Family Residential: The Master District Service Area is being developed as the master-planned community of The Highlands. Development activity within the Service Area is currently taking place within MUD 140 and MUD 189. The current single-family residential development in the Service Area consists of 1,803 single-family residential lots developed on approximately 402 acres in MUD 140. There are approximately 64 acres (266 single-family residential lots) in MUD 140 developed as an active adult/retirement community with home ownership restricted to purchasers age 55 or older. See "RISK FACTORS—Nature of Portions of Development and Over 65/Disabled Exemption." As of July 31, 2026, 1,245 homes were completed (1,221 occupied), 249 new homes were under construction or in the name of a homebuilder and 309 developed lots were available for home construction in MUD 140. There are an additional 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026.

Schools: An elementary school has been constructed on approximately 14 acres in MUD 140 and is exempt from ad-valorem taxation. A middle school is under construction on approximately 29 acres, located in the Service Area but not in the boundaries of the Participants or the District, and is expected to be completed and open by August 2027.

The remainder of the Service Area consists of approximately 716 acres of developable but undeveloped land, approximately 374 acres of recreational and open space and approximately 764 acres of undevelopable land (utility sites, easements and detention).

Homebuilders

Active homebuilding within the Service Area 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 Service Area range from approximately $350,000 to $1,400,000.

THE DEVELOPER

General

In general, the activities of a landowner or developer in a municipal utility district such as the District and the other districts in the Service Area 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 Service Area will occur, or that construction of taxable improvements upon property within the Service Area will occur, or that marketing or leasing of taxable improvements constructed upon property within the Service Area will be successful. See "RISK FACTORS."

CC SCOA III, LP

The developer in the Service Area 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 1,803 single-family residential lots on approximately 402 acres in MUD 140. There are an additional 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026. The Developer continues to own approximately 716 developable acres in the Service Area for future development.

The Developer does not have any legal commitment to the Service Area or to owners of the Bonds to continue development of the land within the Service Area and the Developer may sell or otherwise dispose of their property within the Service Area, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time.

Development Financing

The Developer has obtained financing for a portion of the development of the Service Area 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 issued by MUD 140 pursuant to the Master Development Financing Agreement between MUD 140 and the Developer effective as of August 6, 2020, as amended, and from future Contract Revenue Bonds issued by the District pursuant to the Master Development Financing Agreement between the District and the Developer effective as of May 11, 2021, 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, including responsibilities related to the Master District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the board members reside within the District; however, each board member owns 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
Emily Cordero	President	May 2030
June Deleon	Vice President	May 2028
Sharla Fredricksen	Secretary	May 2030
Chelsea Florack	Assistant Secretary	May 2028
Chris Poole	Assistant Vice President/ Assistant Secretary	May 2028

District Consultants

The Master 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 Master District has engaged The Muller Law Group, PLLC, Sugar Land, Texas as general counsel to the Master District and as Bond Counsel in connection with the issuance of the Master 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 Master District is based on time charges actually incurred.

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

Auditor: The financial statements of the Master District and MUD 140 for the fiscal year ending June 30, 2025, were audited by McCall Gibson Swedlund Barfoot PLLC (the "Auditor"). See "APPENDIX B." The Master District and MUD 140 have engaged McCall Gibson Swedlund Barfoot PLLC to audit their respective financial statements for the fiscal year ending June 30, 2026.

Engineer: The Master 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 boundaries of the Service Area. See "TAXING PROCEDURES."

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

Utility System Operator: The operator of the Master District Water, Sewer, and Drainage Facilities is Municipal Operations & Consulting, Inc.

THE SYSTEM

Master District Facilities/Wholesale Agreements

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. In order to provide potable water supply services to the Participants, 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 Wholesale Agreement for Water and Wastewater Service, dated February 13, 2023 (the "West Fork 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") in a portion of the Service Area, including all of MUD 140 and a portion of MUD 189. Currently, West Fork has constructed a water plant with two water wells: one 190 gallons per minute ("gpm") well and one 730 gpm 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 1,494 ESFCs within the Service Area (1,245 completed homes and 249 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 which is served by the West Fork Wholesale Agreement. West Fork is currently in the process of obtaining 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. The Master District has one emergency water interconnect with Montgomery County Municipal Utility District No. 56.

The Master District has also entered into a Wholesale Water Supply Agreement with Porter Special Utility District, a body politic and corporate and a governmental agency of the State of Texas organized under the provisions of Article XVI, Section 59, Texas Constitution, and Chapters 49 and 65, Texas Water Code, as amended ("Porter SUD"), dated March 30, 2026 (the "Porter SUD Wholesale Agreement"), pursuant to which Porter SUD has agreed to provide all potable water supply necessary to serve development within an approximately 533 acre area within the Highlands development north of State Highway 99, including portions of MUD 189. Portions of the area to be served by Porter SUD are within Porter SUD's district boundaries or area served by its Certificate of Convenience and Necessity. Pursuant to the Porter SUD Agreement, the Master District will design and construct interconnect facilities which shall include water transmission lines necessary to extend the Porter SUD system to the Master District system for purposes of facilitating Porter SUD's provision of services to the Master District pursuant to the Porter SUD Wholesale Agreement.

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. In order to provide wastewater treatment services to the Participants, the Master District has entered into the West Fork Wholesale Agreement. Pursuant to the West Fork Wholesale Agreement, West Fork agrees to provide sufficient wastewater treatment capacity to serve up to 4,000 ESFC. 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 1,494 ESFCs within the Service Area (1,245 completed homes and 249 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 which was approved by TCEQ. 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.

West Fork Wholesale Agreement: Pursuant to the West Fork 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 West Fork 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. A portion of Bond proceeds will be used to purchase 300 ESFCs worth of capacity in the West Fork System. In addition to the Initial Payment and connection charges, the West Fork 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. No increase to the volumetric rates has occurred at this time. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Porter SUD Wholesale Agreement: Pursuant to the Porter SUD Wholesale Agreement, the Master District will install one or more master meters at the points of interconnection between the Master District and Porter SUD systems. The Master District is obligated to pay Porter SUD for the volume of water measured by such meters multiplied by the applicable wholesale water rates stated on Porter SUD's then-current Schedule of Rates, Charges and Fees. The Master District will also pay Porter SUD any other volumetric fees or charges contained in Porter SUD's Schedule of Rates, Charges and Fees for the volume of water measured by the meters. Porter SUD, in its sole discretion, may adjust the wholesale water service charge upwards in the same amount of any increase in the Consumer Price Index since the time of the most recent increase. The Master District is responsible for the operation and maintenance of the Master District's facilities and system. Porter SUD is responsible for the operation and maintenance of the Porter SUD facilities, system, and interconnect facilities upon conveyance of the same to Porter SUD. The Master District agrees to pay impact fees on a per physical connection basis, in accordance with the amounts stated on the Porter SUD impact fee schedule uniformly applied within the Porter SUD system. The Master District shall pay impact fees for single-family residential connections in the Porter SUD service area contemporaneously with the recording of a final plat. The Master District shall pay impact fees for non-single-family residential connections in the Porter SUD service area prior to initiating service to any new connection for which an impact fee has not previously been paid.

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. The regional wastewater collection facilities include a lift station and sanitary sewer lines ranging in size from 6 inches to 12 inches. These regional collection lines collect waste from the internal facilities constructed by or on behalf of each Participant, and transport it to the West Fork System.

Master Drainage: The Master District also provides the Service Area with regional 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 MUD 140 to serve 1,803 single-family residential lots and an elementary school constructed on approximately 14 acres. There are an additional 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026. See "THE DISTRICT AND SERVICE AREA—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 Master 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 for the Master District as derived from the District's audited financial statements for the fiscal years ended June 30, 2022 through 2025 and an unaudited summary 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 B" for further and complete information.

	Fiscal Year Ended June 30				
	2026 (Unaudited)	2025 (a)	2024 (a)	2023 (a)	2022 (a)
REVENUES					
Capacity Reservation Revenues	$ 1,917,786	$ 1,082,821	$ 935,053	$ 776,552	$ -
MUD 140 Revenues	1,310,936	981,702	856,327	647,541	-
Interest	552	984	653	27,776	-
Miscellaneous Revenues	147,080	-	59,784	-	-
TOTAL REVENUES	$ 3,376,354	$ 2,065,507	$ 1,851,817	$ 1,451,869	$ -
EXPENDITURES					
Professional Fees	$ 364,377	$ 234,105	$ 182,270	$ 127,004	$ 138,310
Contracted Services	346,997	389,412	227,116	136,953	9,200
Purchased Water Service	1,083,937	797,287	606,456	304,069	52,655
Repairs and Maintenance	655,487	372,340	241,847	294,647	-
Tap/Inspection	535,921	565,399	563,795	254,487	-
Other	58,209	48,416	57,498	38,952	26,851
TOTAL EXPENDITURES	$ 3,044,928	$ 2,406,959	$ 1,878,982	$ 1,156,112	$ 227,016
NET REVENUES	$ 331,426	$ (341,452)	$ (27,165)	$ 295,757	$ (227,016)
OTHER FINANCING SOURCES (USES)					
Developer Advances (b)	$ -	$ -	$ -	$ -	$ 195,000
NET CHANGE IN FUND BALANCE	$ 331,426	$ (341,452)	$ (27,165)	$ 295,757	$ (32,016)
General Operating Fund Balance (Beginning of Year)	$ (128,494)	$ 212,958	$ 240,123	$ (55,634)	$ (23,618)
General Operating Fund Balance (End of Year)	$ 202,932	$ (128,494)	$ 212,958	$ 240,123	$ (55,634)

(a) Provided by the Auditor based upon the District's audited financial statements.
(b) See "RISK FACTORS—Operational Expenses."

THE ROAD SYSTEM

The Master District, in its capacity as the provider of facilities for regional arterial, collector and thoroughfares and improvements in aid thereof necessary to serve the Service Area, has constructed or will construct the Regional Road Facilities. The Service Area's road system ("Roads") currently 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, while Farm-to-Market 1314 connects to U.S. Highway 59 as well.

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. In the event the County were to fail to accept the Regional Road Facilities, the Master District is expected to include the cost of maintenance of such Regional Road Facilities in the Master District's operation and maintenance expenses to be owed by each Participant in accordance with the Master District Contract, and such cost could be significant. The roadways will lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone and cable).

In addition to Regional Road Facilities, internal roadways have been, are being, or will be constructed by the Participants and future participants.

THE PARK SYSTEM

The Master District and the Participants have prepared and approved a master park plan, as amended from time to time (the "Master Park Plan"). The Master Park Plan outlines projects related to landscape reserves and setbacks, floodway and recreational areas and facilities. Such projects consist of, among other things, trails, walkways, landscaping, irrigation, shade structures, exercise equipment, and gathering spaces for the Service Area. It is anticipated that the Master District and the Participants will design, construct, and issue bonds to finance recreational facilities to serve residents within the Service Area. See "THE INDENTURE OF TRUST—Road Contract Revenue Bonds and Park Contract Revenue Bonds."

FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICPANT (UNAUDITED)

Gross Appraised Valuation

2026 Appraised Valuation	$573,980,806	(a)
Estimated Appraised Valuation as of June 1, 2026	$657,041,714	(b)
Contract Revenue Bonds of the Master District		
Direct Debt (including the Bonds)	$ 55,575,000	(c)
Estimated Overlapping Debt	112,169,952	(d)
Total Direct and Estimated Overlapping Debt	$167,744,952	
Direct Debt as a % of		
2026 Appraised Valuation	9.68%	
Estimated Appraised Valuation as of June 1, 2026	8.46%	
Direct Debt and Estimated Overlapping Debt as a % of		
2026 Appraised Valuation	29.22%	
Estimated Appraised Valuation as of June 1, 2026	25.53%	
Master District Water, Sewer, and Drainage Debt Service Funds Available:		
Water, Sewer, and Drainage Reserve Fund Balance as of August 10, 2026	$1,094,393	(e)
Water, Sewer, and Drainage Reserve Fund Deposit from Bond Proceeds	350,251	(e)(f)
Subtotal Water, Sewer, and Drainage Reserve Funds Available	$1,444,644	
Water, Sewer, and Drainage Debt Service Fund Balance as of August 10, 2026	$ 558,549	(e)(f)
Water, Sewer, and Drainage Debt Service Fund Deposit from Bond Proceeds	788,249	(e)(g)
Subtotal Water, Sewer, and Drainage Debt Service Funds Available	$1,346,798	
Total Funds Available for Water, Sewer, and Drainage Debt Service	$2,791,442	
Master District Road Debt Service Funds Available:		
Road Reserve Fund Balance as of August 10, 2026	$505,306	(e)
Road Debt Service Fund Balance as of August 10, 2026	182,226	(e)(f)
Total Funds Available for Road Debt Service	$687,532	
Master District Operating Funds Available as of August 10, 2026	$371,703	(h)
Water, Sewer, and Drainage Master District Capital Projects Funds Available as of August 10, 2026	$69,523	(i)
Road Capital Projects Funds Available as of August 10, 2026	$8,223	
Debt Service Requirements (includes the Bonds and all Outstanding Bonds):		
Average Annual Debt Service Requirement (2027-2056)	$3,172,853	(j)
Maximum Annual Debt Service Requirement (2028)	$3,829,794	(j)

(a) The Appraisal District has certified $534,511,325 of appraised value and an additional $39,469,481 of appraised 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 MUD 140 that home values in multiple sections were omitted from the 2026 Appraised Valuation. The Appraisal District has confirmed that the missing value will be added to MUD 140's tax roll this fall on supplemental tax rolls; however, the Master District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(b) The Estimated Appraised Valuation as of June 1, 2026, as shown herein, is comprised of the estimate of appraised value as of June 1, 2026 for MUD 140 and the 2026 Appraised Valuation of MUD 189, all provided by the Appraisal District. Optional exemptions granted by MUD 140 are not available in connection with the estimate of appraised value. The estimated appraised value for MUD 140 includes the 2026 value associated with optional exemptions granted by MUD 140. Optional exemptions are not granted by MUD 189. Increases in value that occur between January 1, 2026 and June 1, 2026, will be appraised for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified in the fall of 2027. See "TAXING PROCEDURES."

(c) Includes the Bonds and the Outstanding Bonds. See "Outstanding Debt" in this section.

(d) See "Estimated Overlapping Debt" in this section.

(e) All of the Master District's Contract Revenue Bonds are payable from Contract Taxes. The revenues from the Water, Sewer, and Drainage Contract Tax will be allocated to Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, and the revenues from the Road Contract Tax will be allocated to the Road Contract Revenue Bonds. The Water, Sewer, and Drainage Debt Service Fund and Water, Sewer, and Drainage Reserve Fund will not be pledged to the Road Contract Revenue Bonds, nor will funds deposited into the Road Debt Service Fund and Road Reserve Fund be pledged to Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds.

(f) The Water, Sewer, and Drainage Debt Service Fund balance shown does not reflect the $573,380 Water, Sewer, and Drainage Contract Payment and the Road Debt Service fund balance shown does not reflect the $476,014 Road Contract Payment, both paid by MUD 140 to the Master District by September 1, 2026. See "TAX DATA—Historical Contact Payment Collections."

(g) The District will capitalize $1,138,500 of interest from Bond proceeds, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ, $788,249 of which will be deposited into the Water, Sewer, and Drainage Debt Service Fund and $350,251 of which will be deposited into the Water, Sewer, and Drainage Reserve Fund. The reserve requirement for the Water, Sewer, and Drainage Reserve Fund has been established in the Bond Resolution to be a sum of money equal to one-half of the maximum annual debt service requirements ($2,889,288) on the outstanding Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, which is $1,444,644. See "MASTER DISTRICT CONTRACT" and "INDENTURE OF TRUST."

(h) See "RISK FACTORS—Operational Expenses."

(i) The Master District expects to contribute $69,279 of surplus Water, Sewer, and Drainage Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(j) Each Participant is obligated to pay the debt service on the Bonds by the dates specified in the Master District Contract. See "MASTER DISTRICT CONTRACT," "THE BONDS—Unconditional Obligation to Pay" and "THE INDENTURE OF TRUST."

Participants' Appraised Valuation as a % of the Service Area (a):

Participant	2026 Appraised Valuation (b)	% of 2026 Appraised Valuation	Estimated Appraised Valuation as of 6/1/2026 (c)	% of Estimated Appraised Valuation as of 6/1/2026
MUD 140	$ 573,110,258	99.85%	$ 656,171,166	99.87%
MUD 189	870,548	0.15%	870,548	0.13%
Total	$ 573,980,806	100.00%	$ 657,041,714	100.00%

(a) Appraised value does not exclude value associated with any optional exemption that a Participant may grant under Texas law nor does it exclude the market value deferred as a result of agricultural use.

(b) The Appraisal District has certified $534,511,325 of appraised value and an additional $39,469,481 of appraised 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 MUD 140 that home values in multiple sections were omitted from the 2026 Appraised Valuation. The Appraisal District has confirmed that the missing value will be added to MUD 140's tax roll this fall on supplemental tax rolls; however, the Master District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(c) The Estimated Appraised Valuation as of June 1, 2026, as shown herein, is comprised of the estimate of appraised value as of June 1, 2026 for MUD 140 and the 2026 Appraised Valuation of MUD 189, all provided by the Appraisal District. Optional exemptions granted by MUD 140 are not available in connection with the estimate of appraised value. The estimated appraised value for MUD 140 includes the 2026 value associated with optional exemptions granted by MUD 140. Optional exemptions are not granted by MUD 189. Increases in value that occur between January 1, 2026 and June 1, 2026, will be appraised for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified in the fall of 2027. See "TAXING PROCEDURES."

Outstanding Debt

The District has previously issued four series of Water, Sewer, and Drainage Contract Revenue Bonds and two series of Road Contract Revenue Bonds, $44,190,000 of which remains outstanding (the "Outstanding Bonds"). The following table lists the original principal amount the Outstanding Bonds and the amount of Outstanding Bonds.

Series		Original Principal Amount	Oustanding Bonds
2023		$ 6,610,000	$ 6,325,000
2023	(a)	9,000,000	8,795,000
2024		6,000,000	5,750,000
2024	(a)	4,390,000	4,390,000
2024A		8,430,000	8,430,000
2025		10,500,000	10,500,000
Total		$ 44,930,000	$ 44,190,000

(a) Road Contract Revenue Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect that the Master District will capitalize $1,138,500, which represents twenty-four (24) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ, to pay debt service on the Bonds, $350,251 of which will be deposited into the Water, Sewer, and Drainage Reserve Fund to satisfy the Water, Sewer, and Drainage Reserve Fund Requirement. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service	Plus: Debt Service on The Bonds			Total Debt Service
		Principal	Interest	Total	
2026	$ 1,742,668.75 (a)	$ -	$ -	$ -	$ 1,742,668.75
2027	3,080,312.50	-	672,378.33	672,378.33	3,752,690.83
2028	3,051,518.75	185,000	593,275.00	778,275.00	3,829,793.75
2029	3,015,050.00	190,000	579,400.00	769,400.00	3,784,450.00
2030	2,996,850.00	200,000	565,150.00	765,150.00	3,762,000.00
2031	2,960,587.50	210,000	550,150.00	760,150.00	3,720,737.50
2032	2,942,318.75	220,000	534,400.00	754,400.00	3,696,718.75
2033	2,929,212.50	235,000	519,000.00	754,000.00	3,683,212.50
2034	2,924,843.75	245,000	507,250.00	752,250.00	3,677,093.75
2035	2,916,637.50	255,000	495,000.00	750,000.00	3,666,637.50
2036	2,912,762.50	270,000	482,250.00	752,250.00	3,665,012.50
2037	2,925,950.00	285,000	468,750.00	753,750.00	3,679,700.00
2038	2,925,637.50	300,000	454,500.00	754,500.00	3,680,137.50
2039	2,921,593.75	310,000	439,500.00	749,500.00	3,671,093.75
2040	2,914,762.50	330,000	424,000.00	754,000.00	3,668,762.50
2041	2,924,300.00	345,000	407,500.00	752,500.00	3,676,800.00
2042	2,924,787.50	360,000	390,250.00	750,250.00	3,675,037.50
2043	2,926,562.50	380,000	372,250.00	752,250.00	3,678,812.50
2044	2,923,600.00	400,000	353,250.00	753,250.00	3,676,850.00
2045	2,926,418.75	420,000	333,250.00	753,250.00	3,679,668.75
2046	2,929,387.50	440,000	312,250.00	752,250.00	3,681,637.50
2047	2,922,575.00	460,000	290,250.00	750,250.00	3,672,825.00
2048	2,430,943.75	485,000	267,250.00	752,250.00	3,183,193.75
2049	1,520,406.25	510,000	243,000.00	753,000.00	2,273,406.25
2050	1,212,075.00	535,000	217,500.00	752,500.00	1,964,575.00
2051	1,219,337.50	560,000	190,750.00	750,750.00	1,970,087.50
2052	1,219,325.00	590,000	162,750.00	752,750.00	1,972,075.00
2053	1,222,275.00	620,000	133,250.00	753,250.00	1,975,525.00
2054	1,222,950.00	650,000	102,250.00	752,250.00	1,975,200.00
2055	691,350.00	680,000	69,750.00	749,750.00	1,441,100.00
2056	-	715,000	35,750.00	750,750.00	750,750.00
Total	$ 74,377,000.00	$ 11,385,000	$ 11,166,253.33	$ 22,551,253.33	$ 96,928,253.33

(a) Excludes the Master District's June 1, 2026, debt service payment of $1,095,561.

Average Annual Debt Service Requirements (2027-2056) $3,172,853
Maximum Annual Debt Service Requirement (2028) $3,829,794

Estimated Overlapping Debt Statement

The following table lists the outstanding debt payable from ad valorem taxes, of governmental entities overlapping the Participants and the estimated percentages and amounts of such indebtedness attributable to property within the Participants' boundaries. 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 Participants' boundaries 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 Master 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	7/31/2026	0.40%	$ 2,141,800
Lone Star College System	342,055,000	7/31/2026	0.13%	444,672
New Caney Independent School District	876,990,000	7/31/2026	5.20%	45,603,480
MUD 140 (a)	63,980,000	9/2/2026	100.00%	63,980,000
Total Estimated Overlapping Debt				$ 112,169,952
The District's Total Direct Debt (b)				55,575,000
Total Direct and Estimated Overlapping Debt				$ 167,744,952

Direct and Estimated Overlapping Debt as a Percentage of:
2026 Appraised Valuation of $573,980,806 ..... 29.22%
Estimated Appraised Valuation as of June 1, 2026 of $657,041,714 ..... 25.53%

(a) Includes $13,290,000 principal amount of unlimited tax bonds expected to be issued by MUD 140 in the fourth quarter of 2026.
(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within each Participant is subject to taxation by several taxing authorities in addition to the taxes levied by each Participant. 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 each Participant, having the power to tax the property. Each Participant'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 any contract revenue bonds issued by the Master District (including Water, Sewer, and Drainage Contract Revenue Bonds, Park Contract Revenue Bonds and Road Contract Revenue Bonds), to pay debt service on bonded debt issued by each Participant and other taxing authorities, certain taxing jurisdictions, including each Participant, 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 is a summary of taxes levied for the 2025 or 2026 tax year by all entities which overlap the Service Area and the anticipated 2026 tax rate for MUD 140. 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 (a)……	$ 0.3860
Montgomery County Hospital District (a)……	0.0458
New Caney Independent School District (a)……	1.2393
Lone Star College System (b)……	0.1060
Montgomery County ESD No. 6 (b)……	0.1000
Total Overlapping Tax Rate……	$ 1.8771
MUD 140 (c) ……	1.2500
Total Tax Rate……	$ 3.1271

(a) Represents the 2026 tax rate.
(b) Represents the 2025 tax rate.
(c) See "APPENDIX A" for historical information on MUD 140's total tax rate. MUD 140 has authorized the publication of a total 2026 tax rate of $1.25, the allocation of which will be determined upon adoption of the tax rate in October 2026. MUD 189 expects to levy its initial tax rate in the fall of 2026.

TAX DATA

Contract Tax

The District, in its capacity as the Master District, has the statutory authority and the authorization under the Master District Contract to issue Contract Revenue Bonds. Each Participant's Contract Payment will be determined annually. The Master District Contract obligates each Participant to pay its pro-rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of the Contract Tax, or from any other legally available funds. See "MASTER DISTRICT CONTRACT" and "THE PARTICIPANTS—Contract Tax" and "Historical Contract Payment Collections" in this section.

Appraised Valuation Information (a)

The Participants' Appraised Valuation as of January 1 of each year is used by the Master District in establishing the Contract Payments. The following represents the 2025 and 2026 Appraised Valuation and the Estimated Appraised Valuation as of June 1, 2026, of the Participants and each Participant's percentage of the total Appraised Valuation. Historical tax information for each Participant is included in APPENDIX A herein.

Participant	2025 Certified Appraised Valuation (b)	% of 2025 Certified Appraised Valuation	2026 Appraised Valuation (c)	% of 2026 Appraised Valuation	Estimated Appraised Valuation as of 6/1/2026 (d)	% of Estimated Appraised Valuation as of 6/1/2026
MUD 140	$ 440,878,804	100.00%	$ 573,110,258	99.85%	$ 656,171,166	99.87%
MUD 189	-	0.00%	870,548	0.15%	870,548	0.13%
Total	$ 440,878,804	100.00%	$ 573,980,806	100.00%	$ 657,041,714	100.00%

(a) Appraised value does not exclude value associated with any optional exemption that a Participant may grant under Texas law nor does it exclude the market value deferred as a result of agricultural use. MUD 189 became a Participant in 2026.

(b) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "APPENDIX A" for information on the Participants' certified value.

(c) The Appraisal District has certified $534,511,325 of appraised value and an additional $39,469,481 of appraised 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 MUD 140 that home values in multiple sections were omitted from the 2026 Appraised Valuation. The Appraisal District has confirmed that the missing value will be added to MUD 140's tax roll this fall on supplemental tax rolls; however, the Master District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(d) The Estimated Appraised Valuation as of June 1, 2026, as shown herein, is comprised of the estimate of appraised value as of June 1, 2026 for MUD 140 and the 2026 Appraised Valuation of MUD 189, all provided by the Appraisal District. Optional exemptions granted by MUD 140 are not available in connection with the estimate of appraised value. The estimated appraised value for MUD 140 includes the 2026 value associated with optional exemptions granted by MUD 140. Optional exemptions are not granted by MUD 189. Increases in value that occur between January 1, 2026 and June 1, 2026, will be appraised for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified in the fall of 2027. See "TAXING PROCEDURES."

Historical Contract Payment Collections

For tax year 2025, MUD 140 was the sole Participant. MUD 140 levied a total 2025 tax rate of $1.25 per $100 of taxable assessed valuation, with $0.61 per $100 of taxable assessed valuation allocated to debt service, $0.48 per $100 of taxable assessed valuation allocated to Contract Tax, and $0.16 per $100 of taxable assessed valuation allocated to maintenance and operations. Contract Payments are due to the Master District by each Participant in equal payments on March 1 and September 1, annually. For tax year 2025, the Contract Payment due from MUD 140 was $2,098,788. MUD 140 Contract Payments were due to the Master District in equal payments on March 1, 2026, and September 1, 2026. MUD 189 became a Participant in 2026 and expects to levy its initial Contract Tax in the fall of 2026 for 2026 Contract Payments due in 2027. The Contract Payment collection rates for 2023 through 2025 are shown below. See "APPENDIX A" for a breakdown of MUD 140's tax rate levy.

2023 Contract Payment Collection Rate 100.00%
2024 Contract Payment Collection Rate 100.00%
2025 Contract Payment Collection Rate 100.00%

Principal Taxpayers

See "APPENDIX A" for information on the principal taxpayers of the Participants.

Tax Adequacy for Debt Service

The Contract Tax (comprised of Water, Sewer and Drainage Contract Tax and Road Contract Tax) calculations set forth below are presented to indicate the tax rates per $100 appraised value which would be required to meet average annual and maximum annual debt service requirements if no growth in the appraised value of the Participants and all districts within the Service Area that have approved the Master District Contract occurred beyond the 2026 Appraised Valuation of $573,980,806 ($534,511,325 of certified value and $39,469,481 of uncertified value) or the Estimated Appraised Valuation as of June 1, 2026, of $657,041,714. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds when due, assuming no further increase or any decrease in appraised value of the Participants, collection of ninety-five percent (95%) of the Contract Tax levied, the sale of no additional Contract Revenue Bonds and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2027-2056)	$3,172,853
$0.59 Tax Rate on the 2026 Appraised Valuation	$3,217,162
$0.51 Tax Rate on the Estimated Appraised Valuation as of June 1, 2026	$3,183,367
Maximum Annual Debt Service Requirement (2028)	$3,829,794
$0.71 Tax Rate on the 2026 Appraised Valuation	$3,871,501
$0.62 Tax Rate on the Estimated Appraised Valuation as of June 1, 2026	$3,869,976

No representation or suggestion is made that the uncertified portion of the 2026 Appraised Valuation or the Estimated Appraised Valuation as of June 1, 2026 provided by the Appraisal District will be certified as appraised 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

Each Participant is authorized to levy a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal and interest on any unlimited tax bonds issued by it, Contract Payments on the Bonds, and Contract Payments on any other Contract Revenue Bonds that the Master District has issued or may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Under Texas law, the board of directors of each Participant may also levy and collect an annual ad valorem tax for the operation and maintenance of such Participant. See "THE PARTICIPANTS—Contract Tax", "—Direct Debt Service Tax," "—Maintenance and Operations Taxes" and "RISK FACTORS—Future Debt."

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 Participants. 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 Participants. 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 Participants in establishing the Participants' tax rolls and tax rate.

Property Subject to Taxation by the Participants

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, manufactured homes, and certain categories of intangible personal property with a tax situs in the Participants are subject to taxation by the Participants. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation by the State of Texas. 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; and most individually owned automobiles. In addition, the Participants may, by each Participants' 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. The Participants may be required to offer such exemptions if a majority of voters approve the same at an election. The Participants would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. For tax year 2026, MUD 140 granted a $10,000 exemption for individuals disabled and/or 65 years of age or older, and MUD 189 did not grant an exemption for individuals disabled and/or 65 years of age or older. The Participants are authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Participants' obligations to pay tax-supported debt incurred prior to adoption of the exemption by the Participants. Furthermore, the Participants 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 Participants are authorized by statute to disregard previously granted residential homestead exemptions if granting the exemption would impair the Participants' obligations to pay tax-supported debt incurred prior to adoption of the exemption by the Participant. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. Neither of the Participants have granted a residential homestead exemption at this time.

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 Participants 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 Participants have 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 Service Area 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 a Participant 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, a Participant 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. Each Participant, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within its own boundaries or an estimate of any new property or improvements within their own boundaries. While such current estimates of appraised values may serve to indicate the rate and extent of growth of taxable values within the boundaries of each Participant, it cannot be used for establishing a tax rate for each Participant until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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. For more information on the disaster exemption, reference is made to Section 11.35 of the Texas Tax Code.

Participants and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the Participants) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Participants 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 values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

Each Participant 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 boundaries of each Participant, based upon: a) the valuation of property within the boundaries of each Participant 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 each Participant 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 each Participant and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by each Participant 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 Participants, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. Each Participants' 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 taxing jurisdictions such as the Participants 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 taxing jurisdictions such as the Participants, 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 Participants have 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 Participants: For the 2026 tax year, MUD 140 and MUD 189 respectively made the determination of each Participant's status as a "Developing District." The Participants cannot give any assurances as to what its classification will be at any point in time or whether each Participant's future tax rates will result in a total tax rate that will reclassify such Participant into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, a Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, a Participant must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

RISK FACTORS

General

The Bonds are limited obligations solely of the Master District and are not obligations of the State of Texas, Montgomery County, Texas, the City, the Participants, or any entity other than the Master District. See "Registered Owners' Remedies and Bankruptcy Limitations" below and "THE BONDS—Source and Security of Payment."

Pursuant to the Water, Sewer, and Drainage Indenture by and between the Master District and The Bank of New York Mellon Trust Company, N.A., the Master District is issuing, and is expected to issue, Water, Sewer, and Drainage Contract Revenue Bonds. The Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, are payable solely from the Water, Sewer, and Drainage Pledged Revenues and to the extent of certain Water, Sewer, and Drainage Contract Payments received by the Master District from each Participant pursuant to the Master District Contract, with each Participant's annual Water, Sewer, and Drainage Contract Payment being equal to its pro-rata share of annual debt service on the Water, Sewer, and Drainage Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Water, Sewer, and Drainage Reserve Fund, established under the Bond Resolution or the Water, Sewer, and Drainage Indenture, based upon the Certified Appraised Valuation of each Participant as a percentage of the total Certified Appraised Valuation of all districts in the Service Area that have approved the Master District Contract. Water, Sewer, and Drainage Contract Payments (all of which are derived from the Water, Sewer, and Drainage Contract Tax or other legally available funds of each Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Water, Sewer, and Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water, Sewer, and Drainage Reserve Fund. Water, Sewer, and Drainage Contract Payments (all of which are derived from the proceeds of the Water, Sewer, and Drainage Contract Tax) or other legally available funds of each Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Bonds or any additional Water, Sewer, and Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water, Sewer, and Drainage Reserve Fund.

The obligations of the Participants to make Contract Payments are several, not joint, obligations. The security for payment of the principal of and interest on the Bonds by the Master District therefore depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on all taxable property within its boundaries sufficient to make its Contract Payments.

Undeveloped Acreage and Vacant Lots

There are approximately 716 developable acres in the Service Area that have not been provided with water distribution, wastewater collection and storm drainage facilities, and approximately 309 developed lots in MUD 140 are served with utilities but remain vacant. An additional 114 single-family residential lots are under construction on approximately 20 acres in MUD 189 with an expected completion date in the fourth quarter of 2026. The Master 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 the construction of homes by builders. Failure of the Developer to develop the developable land or of builders to construct homes on the developed lots could restrict the rate of growth of taxable values in the Service Area. See "THE DISTRICT AND SERVICE AREA—Land Use" and "—Status of Development."

Operational Expenses

Each Participant is obligated to pay monthly charges to the Master District for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities. The monthly charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to twenty-five percent (25%) of the District's then-current general fund budget. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to each Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to the Participants is $178.52, effective July 1, 2026. See "THE SYSTEM."

The revenue produced from a monthly $178.52 connection charge is not currently sufficient to offset the operating expenses of the Master District and the Master District is dependent upon operating advances from the Developer. The Master District's General Fund balance as of August 10, 2026 was $371,703. Continued maintenance of a positive General Fund balance will depend upon (1) cash advances from the Developer and (2) continued development and increased amounts of monthly connection charge revenue.

Developer Obligation to the District

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

Economic Factors and Interest Rates

The majority of the taxable value of the Service Area results from the current market value of single-family residences 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 Service Area or could adversely impact such values. The Service Area is located in Montgomery County, within the extraterritorial jurisdiction of the City, and the success of development within the Service Area and growth of taxable property values in the Service Area 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, 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 Service Area. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the Master District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, the success of development within the Service Area and growth of taxable property values in the Service Area 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 Service Area and restrain the growth or reduce the value of the Service Area's property tax base.

Competition

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

The competitive position of the Developer in the sale of developed lots and of the prospective builders in the construction of single-family residential houses within the Service Area 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 Service Area.

The Master District can give no assurance that building and marketing programs in the Service Area 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 Service Area 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 Service Area. 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 Service Area. The Master 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.

Possible Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Service Area will be the major determinant of the ability or willingness of owners of property within the Participants to pay their taxes. The 2026 Appraised Valuation of the Service Area is $573,980,806 ($534,511,325 of certified value and $39,469,481 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $3,829,794 (2028), and the average annual debt service requirement will be $3,172,853 (2027-2056 inclusive). Assuming no increase or decrease from the 2026 Appraised Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a Contract Tax rate of $0.71 per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and a Contract Tax rate of $0.59 per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirement. The Estimated Appraised Valuation of the Service Area as of June 1, 2026, is $657,041,714, which reduces the above calculations to $0.62 and $0.51, respectively. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (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 Appraised Valuation or the Estimated Appraised Valuation as of June 1, 2026, will be the amounts finally certified 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 Development and Over 65/Disabled Exemption

Approximately 64 acres in MUD 140 (266 single-family residential lots) are developed as an active adult/retirement community with home ownership restricted to purchasers age 55 or older. See "THE DISTRICT AND SERVICE AREA—Land Use." Pursuant to Texas law, each Participant 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. Each Participant may be required to offer such exemption if a majority of voters approve it at an election. Each Participant 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. Each Participant is authorized by statute to disregard such exemption if granting the exemption would impair the Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by the Participant. Any tax exemption reduces the taxable value and a reduction in taxable value may result in an increase in the tax rate of the Participant. For tax year 2026, MUD 140 granted a $10,000 exemption for individuals disabled and/or 65 years of age or older, and MUD 189 did not grant an exemption for individuals disabled and/or 65 years of age or older.

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 MUD 140 has been developed as an active-adult/retirement community and a portion of the property owners within MUD 140 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 Contract Taxes. 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 by the Participants" and "—Levy and Collection of Taxes."

Debt Burden on Property within the Participants

The Master District expects that each Participant will derive funds to make its Contract Payments to the Master District from the collection of ad valorem taxes, without legal limit as to rate or amount, levied on all taxable property within its boundaries. In addition to the annual levy of a Contract Tax to make its annual Contract Payments, each Participant is authorized, and expected, to levy a tax on all taxable property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on bonds issued by the Participant and to pay its operations and maintenance expenses. In accordance with the development plan of the Developer, the Participants have issued bonds and are expected to issue additional bonds in the future to finance Internal District Facilities.

The Master District can make no representation that the taxable property values in the Participants will maintain a value sufficient to support the aforementioned Contract Tax or to justify continued payment of taxes by property owners. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)," "TAX DATA—Tax Adequacy for Debt Service," and "APPENDIX A."

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 appraised value. In the case of the Participants, the total combined tax rate under current TCEQ rules includes the Contract Tax rate in combination with the direct tax rates of the Participants for debt service and maintenance. If the current combined tax rate of the Participants should ever exceed $1.50 per $100 of taxable appraised value, such Participant or the Master District could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of TCEQ. See "Possible Impact on Contract Tax Rate" above and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Estimated Overlapping Debt" and "—Estimated Overlapping Taxes."

The total composite tax rate, which includes or will include the Contract Tax and direct taxes for debt service and maintenance and operations, to which property in the Participants may be higher than the composite tax rate of property within other competing subdivisions. To the extent that such composite tax rate is not competitive, the growth of property tax values in each Participant and the investment quality or security of the Bonds could be adversely affected. The Master District has no control over such composite tax rate. See "Competition" in this section and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Estimated Overlapping 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 Service Area. The Master District cannot predict the impact that negative conditions in the oil industry could have on property values in the Service Area.

Extreme Weather

The greater Houston area, including the Service Area, is subject to occasional severe weather events, including tropical storms and hurricanes. If the Service Area were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the Service Area 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 Service Area, the assessed value of property within the Service Area could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the Participants' tax rate. Further, there can be no assurance that a casualty loss to taxable property within the Service Area 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 Service Area. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Service Area could be adversely affected.

Specific Flood Type Risks

The Service Area 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 or levee 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 Master District's ability to make debt service payments may be adversely affected by one or more Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by each Participant constitutes a lien in favor of the Participant 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. Each Participant'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 Participant and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the Participant 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 MASTER DISTRICT AND THE PARTICIPANTS (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 a Participant pursuant to the Federal Bankruptcy Code could stay any attempt by the Participant 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 redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created or confirmed 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 of the Bonds ("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, the Water, Sewer, and Drainage Indenture provides certain limitations on the right of Registered Owners of the Bonds to institute suits, actions or proceedings at law or in equity upon the occurrence of an event of default. 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 property of the Master District or property within the Participants. Further, the Registered Owners cannot themselves foreclose on property within the Participants or sell property within the Participants to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "THE INDENTURE OF TRUST—Remedies" and "—Limitation on Action by Owners."

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

Pursuant to the Master District Contract, and in connection with the development of the Service Area, the Master District may issue Contract Revenue Bonds in an amount necessary to provide the Master District Facilities and to refund Contract Revenue Bonds. Any future Contract Revenue Bonds will be on parity with the Bonds. The Master District Contract does not provide for a limit on the principal amount of Contract Revenue Bonds that may be issued. The Master District anticipates that it will issue additional Contract Revenue Bonds. The Master District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue; however, the amount of future debt may be limited by the rules of the TCEQ in the case of water, sewer, and drainage and park bonds and by Texas law in the case of park bonds and road bonds. After the reimbursements are made with Bond proceeds, the Master District will owe approximately $10,950,000 (excluding land costs and interest) to the Developer for water, sewer, and drainage facilities and approximately $6,200,000 for road related improvements constructed in the Service Area. The issuance of additional Contract Revenue Bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, except that no TCEQ approval currently is required for the issuance of Road Contract Revenue Bonds or for the refunding of Contract Revenue Bonds. See "Possible Impact on Contract Tax Rate" herein.

The principal amount of Park Contract Revenue Bonds may not exceed 1% of the value of the taxable property in the Participants, unless the Master District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the Master District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the Participants.

The Service Area may only be enlarged upon the approval of two-thirds (2/3) of all districts within the Service Area that have approved the Master District Contract, in which case the Master District would have the right to contract with other participants for the expanded Service Area. Any contract with a party outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities are subject to the terms and conditions of the Master District Contract and must not impair the right of the existing Participants to receive services from the Master District, which are established under the Master District Contract for the number of connections reserved to each Participant, except with the consent of the Participants. The Master District agrees that it will only contract with other participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract. One or more expansions of the Service Area could result in the construction of additional public infrastructure to serve additional development within the expanded areas, which could result in the need for the Master District to issue additional Master District Bonds to finance such infrastructure.

The Bonds and all Water, Sewer, and Drainage Contract Revenue Bonds issued by the Master District to fund regional water, sewer, and drainage facilities will be payable from the Water, Sewer, and Drainage Contract Tax. Park Contract Revenue Bonds issued by the Master District to fund regional park and recreational facilities will be payable from the Park Contract Tax. All Road Contract Revenue Bonds issued by the Master District to fund regional road facilities will be payable from the Road Contract Tax.

Environmental Regulations

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

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

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

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 Master District's consultants use digital technologies to collect Contract Tax Payments, 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 Master District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the Master 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 Master 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 C."

The long-term ratings on the Bonds are dependent in part on the financial strength of 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 have 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

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the District under the Constitution and laws of the State of Texas, payable from the Water, Sewer, and Drainage Pledged Revenues and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of The Muller Law Group, PLLC, Bond Counsel to a like effect.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "MASTER DISTRICT CONTRACT," "THE BONDS," "THE INDENTURE OF TRUST," "THE PARTICIPANTS," "THE DISTRICT AND SERVICE AREA," "TAXING PROCEDURES," "TAX DATA—Contract Tax," "LEGAL MATTERS," "TAX EXEMPTION" and "CONTINUING DISCLOSURE OF INFORMATION" (except for "—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.

The Muller Law Group, PLLC also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed on for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by 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 no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds, the Master District Contract, restraining or enjoining the levy, collection and pledge of the funds from which the Bonds are payable; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds or the title of the present officers of the District.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the Master 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 Master District subsequent to the date of sale from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

TAX EXEMPTION

Opinion of Bond Counsel

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

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

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

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

Alternative Minimum Tax

Individuals: Bond Counsel's opinion states that under current law interest on the Bonds is not an item of preference 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") is expected to assign 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 C 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 underwriter of the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

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 MUD 140's historical appraised valuation and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and in "APPENDIX A" 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 Master District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT AND SERVICE AREA" 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 Master District's Engineer.

Auditor: The financial statements of the Master District and MUD 140 for the fiscal year ending June 30, 2025, were audited by McCall Gibson Swedlund Barfoot PLLC (the "Auditor"). See "APPENDIX B."

Bookkeeper: The information related to the "unaudited" summary of the Master District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—General Operating Fund" and the annual financial report for MUD 189 have been provided by Municipal Financial Management, Inc. and are 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 Master District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Master 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 Master 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 Master District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system. The information to be updated includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)," (except under the subheading "Estimated Overlapping Debt Statement" and "Overlapping Taxes"), "TAX DATA," "APPENDIX A" (Certain Financial Information Regarding the Participants) and "APPENDIX B" (Financial Statements of the District and the Participants). The Master District may comply with its obligation to provide the Financial Statements of the Participants by causing the Participants to update such statements on EMMA as part of the Participants' annual update of information in connection with its own continuing disclosure requirements. The Master District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The Master 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 Master 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 Master 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 Master District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The Master District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The Master 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 Master 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 Master District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Master 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 Master District will provide timely notice of any failure by the Master District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The Master 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 Master District has agreed to update information and to provide notices of specified events only as described above. The Master 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 Master District agreed to update any information that is provided, except as described above. The Master 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 Master 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 Master District to comply with its agreement.

The Master 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 Master 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 Master 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 Master 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 Master 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 2023, the Master District has had no known failures to comply in all material respects with its continuing disclosure undertakings in accordance with SEC Rule 15c2-12, except that the most recently available audited financial statements of Montgomery MUD 140, which were timely filed by Montgomery MUD 140, were not timely included within the Master District's filing of its audited financial statements for 2023 and 2024, which inadvertently included previous audited financial statements for Montgomery MUD 140. The Master District has since updated its filings for 2023 and 2024 to include the most recently available financial statements for Montgomery MUD 140.

MISCELLANEOUS

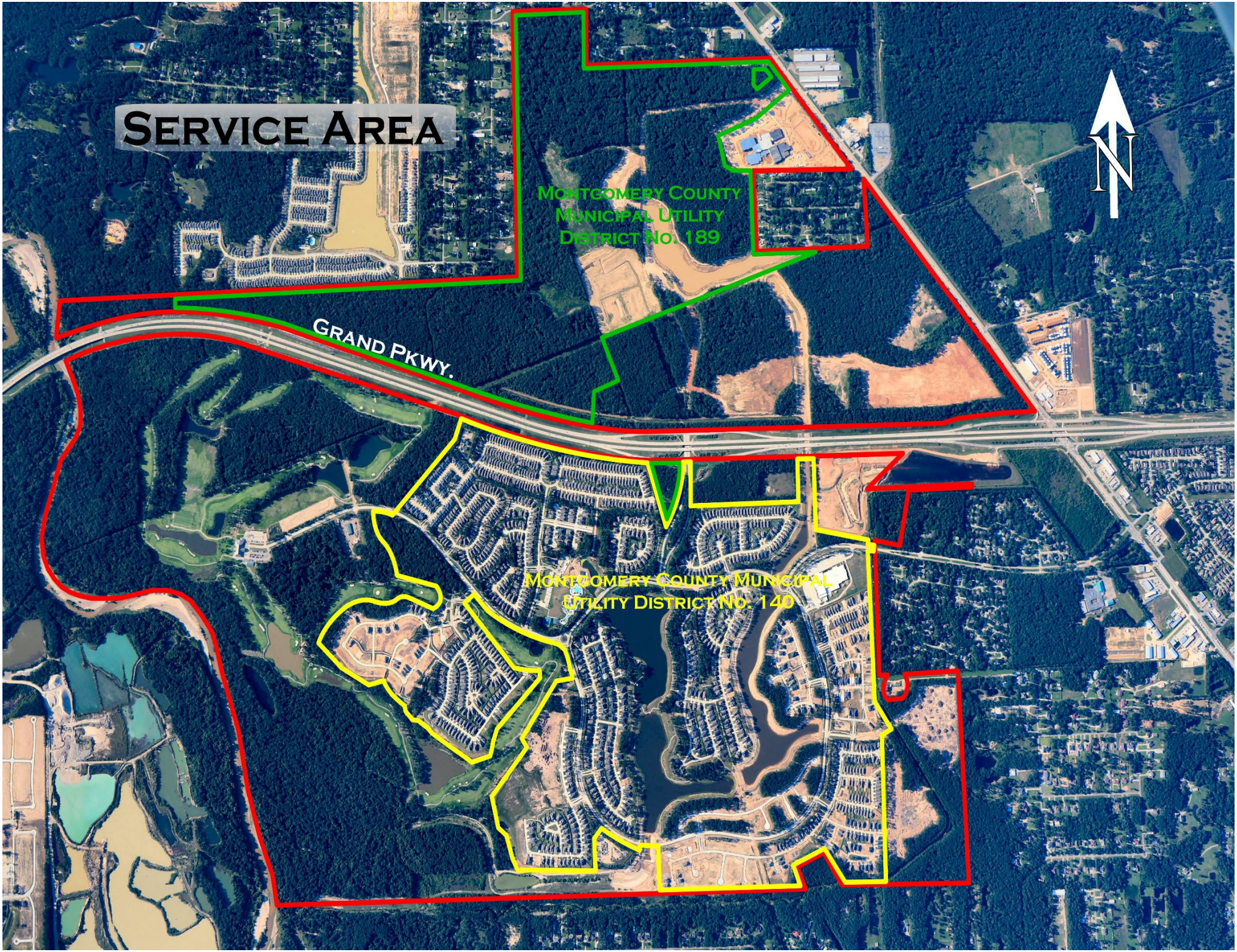
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not 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/ Emily Cordero
President, Board of Directors

ATTEST:

/s/ Sharla Fredrickson
Secretary, Board of Directors

AERIAL LOCATION MAP
(As of July 2026)


Service Area
Montgomery County
Municipal Utility
District No. 189
Grand Pkwy.
Montgomery County Municipal
Utility District No. 140
N

PHOTOGRAPHS OF THE SERVICE AREA
(As of June 2026)

Great Falls

THE HIGHLANDS
drees
832.478.4367
AVAILABLE

THE HIGHLANDS
CALDWELL

THE HIGHLANDS
COVENTRY HOMES
713.597.8802
SOLD

APPENDIX A

Certain Financial Information Regarding the Participants

Selected information concerning the Participants is included in this APPENDIX in addition to certain general information concerning the Participants and their obligation under the Master District Contract contained in the body of the OFFICIAL STATEMENT. See "MASTER DISTRICT CONTRACT" and "THE PARTICIPANTS" therein.

Certain Calculations

The information concerning the debt burden of the Participants makes reference to the principal amount of each Participant's pro-rata share of debt service on the Bonds, each Participant's outstanding unlimited tax bonds, if any, and certain annual tax rate calculations. In each case, this information has been computed as follows:

Contract Debt: The principal amount of each Participant's Master District Contract debt has been calculated for purposes of the OFFICIAL STATEMENT by allocating the debt service on the Bonds to the Participants in proportion to their appraised values. The appraised values are based on the Estimated Appraised Valuation as of June 1, 2026, of the Participants. Each Participant's share of annual debt service requirements on the Bonds and the Outstanding Bonds will be determined annually by reference to their relative appraised values established by the Montgomery County Appraisal District on January 1 of each year. See "MASTER DISTRICT CONTRACT" in the OFFICIAL STATEMENT.

Tax Rate Calculations: Tax rate calculations herein assume that each Participant's appraised value does not change from its Estimated Appraised Valuation as of June 1, 2026, that each Participant collects ninety-five percent (95%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional Contract Revenue Bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$121,500,000
Voter Authorized Unlimited Tax Road Bonds	$85,900,000
Voter Authorized Unlimited Tax Park Bonds	$26,600,000
Voter Authorized Unlimited Tax Water, Sewer, and Drainage Refunding Bonds	$12,150,000
Voter Authorized Unlimited Tax Road Refunding Bonds	$8,590,000
Voter Authorized Unlimited Tax Park Refunding Bonds	$2,660,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date	$65,480,000 (a)
Debt Service Tax Limitation	Unlimited
Maintenance Tax Limitation	$1.50
Road Maintenance Tax Limitation	$0.25
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt	$63,980,000 (a)
2026 Taxable Appraised Valuation	$571,130,258 (b)
2026 Appraised Valuation	$573,110,258 (b)
Estimated Taxable Appraised Valuation as of June 1, 2026	$654,191,166 (c)
Estimated Appraised Valuation as of June 1, 2026	$656,171,166 (c)
Estimated Appraised Valuation as of June 1, 2026 as a Percentage of Service Area's Estimated Appraised Valuation as of June 1, 2026	99.87%
Contract Payment Funds Available as of September 1, 2026	$47,261 (d)
Average Annual Debt Service:	
Pro-rata Share of Contract Revenue Debt Service (2027-2056), Based upon the Estimated Appraised Valuation as of June 1, 2026	$3,168,649
Direct Debt Service (2027-2052)	$4,028,097 (a)
Maximum Annual Debt Service:	
Pro-rata Share of Contract Revenue Debt Service (2028), Based upon the Estimated Appraised Valuation as of June 1, 2026	$3,824,720
Direct Debt Service (2029)	$4,721,691 (a)

	Tax Rate Based Upon the Estimated Appraised Valuation as of June 1, 2026
Contract Tax and Direct Debt Service Tax Required to Pay Pro-rata Share of Debt Service (95% collection rate):	
Average Annual Debt Service:	
Contract Revenue Debt Service (2027-2056)	$0.51
Direct Debt Service (2027-2052)	$0.65 (a)
Maximum Annual Debt Service:	
Contract Revenue Debt Service (2028)	$0.62
Direct Debt Service (2029)	$0.76 (a)

(a) Includes $13,290,000 principal amount of unlimited tax bonds expected to be issued in the fourth quarter of 2026. Assumes an estimated interest rate of 5.00% per annum.

(b) The Appraisal District has certified $531,840,777 of taxable value and $533,640,777 of appraised value and an additional $39,289,481 of taxable value and $39,469,481 of appraised 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 MUD 140 that home values in multiple sections were omitted from the 2026 Appraised Valuation. The Appraisal District has confirmed that the missing value will be added to MUD 140's tax roll this fall on supplemental tax rolls; however, the Master District cannot guarantee that corrections will not be delayed. See "TAXING PROCEDURES."

(c) Provided by the Appraisal District as an estimate of the taxable and appraised value as of June 1, 2026. Optional exemptions granted by MUD 140 are not available in connection with the estimate of appraised value. The estimated appraised value for MUD 140 includes the 2026 value associated with optional exemptions granted by MUD 140. Increases in value that occur between January 1, 2026 and June 1, 2026, will be appraised for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified in the fall of 2027. See "TAXING PROCEDURES."

(d) Reflects the balance after payment of the Contract Payments due to the Master District by September 1, 2026. See "TAX DATA—Historical Contract Payment Collections."

Status of Development as of July 31, 2026:

Acreage	739
Total Developed Single-Family Residential Lots	1,803
Total Completed Homes (1,221 Occupied)	1,245
Total Homes Under Construction or in a Builder's Name	249
Vacant Developed Single-Family Residential Lots	309
Estimated Population	4,358 (a)

(a) Based on 3.5 persons per occupied single-family residence.

Principal Taxpayers

The following table represents the ten principal taxpayers and the taxable appraised value of such property as a percentage of the certified portion ($531,840,777) of the 2026 Taxable Appraised Valuation of $571,130,258. Accurate principal taxpayer lists related to the uncertified portion ($39,289,481) of the 2026 Taxable Appraised Valuation, and the Estimated Appraised Valuation as of June 1, 2026, of $656,171,166 are not available.

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

(a) The Appraisal District has informed the District that home values in multiple sections were omitted from the 2026 Taxable Appraised 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 Master District cannot guarantee that corrections will not be delayed.
(b) See "THE DEVELOPER."
(c) See "THE DISTRICT AND THE SERVICE AREA—Homebuilders."

Tax Rate Distribution (a)

	2025	2024	2023	2022	2021
Debt Service Tax	$ 0.61	$ 0.42	$ 0.47	$ -	$ -
Contract Tax	0.48	0.72	0.36	-	0.53
Maintenance and Operations Tax	0.16	0.11	0.42	1.25	0.72
Total District Tax Rate	$ 1.25	$ 1.25	$ 1.25	$ 1.25	$ 1.25

(a) MUD 140 has authorized the publication of a total 2026 tax rate of $1.25, the allocation of which will be determined upon adoption of the tax rate in October 2026.

Historical Tax Collections

Tax Year	Taxable Value (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	2,119,927	99.86%
2024	294,139,654	1.25	3,676,746	3,640,346	99.01%
2025	438,553,475	1.25	5,481,918	5,249,485 (c)	95.76% (c)

(a) As certified by the Appraisal District less any exemptions granted.
(b) Unaudited.
(c) The Montgomery Central 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 189

Voter Authorized Unlimited Tax Water, Sewer, and Drainage and Refunding Bonds	$220,200,000
Voter Authorized Unlimited Tax Road and Refunding Bonds	$178,900,000
Voter Authorized Unlimited Tax Park and Refunding Bonds	$42,500,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date	$0
Debt Service Tax Limitation	Unlimited
Maintenance Tax Limitation	$1.50
Road Maintenance Tax Limitation	$0.25
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt	$0
2026 Taxable Appraised Valuation	$870,548 (a)
2026 Appraised Valuation	$870,548 (a)
2026 Appraised Valuation as a Percentage of Service Area's Estimated Appraised Valuation as of June 1, 2026	0.13%
Average Annual Debt Service: Pro-rata Share of Contract Revenue Debt Service (2027-2056), Based upon the 2026 Appraised Valuation	$4,204
Maximum Annual Debt Service: Pro-rata Share of Contract Revenue Debt Service (2028), Based upon the 2026 Appraised Valuation	$5,074

	Tax Rate Based Upon the 2026 Appraised Valuation
Contract Tax and Direct Debt Service Tax Required to Pay Pro-rata Share of Debt Service (95% collection rate):	
Average Annual Debt Service: Contract Revenue Debt Service (2027-2056)	$0.51
Maximum Annual Debt Service: Contract Revenue Debt Service (2028)	$0.62

Status of Development as of July 31, 2026:

Acreage	443
Total Developed Single-Family Residential Lots	0
Lots Under Construction	114 (b)

(a) As certified by the Appraisal District. See "TAXING PROCEDURES."
(b) Reflects 114 single-family residential lots under construction on approximately 20 acres in MUD 189 expected to be completed in the fourth quarter of 2026. See "THE DISTRICT AND SERVICE AREA—Land Use" and "—Status of Development."

Principal Taxpayers

The following table represents the principal taxpayers and the taxable appraised value of such property as a percentage of the 2026 Certified Taxable Appraised Valuation of $870,548.

Taxpayer	2026 Certified Appraised Valuation (a)	% of 2026 Certified Appraised Valuation
CC SCOA III LP (a)	$ 870,048	99.94%
Board Members	500	0.06%
Total	$ 870,548	100.00%

(a) See "THE DEVELOPER."

Tax Rate Distribution

MUD 189 expects to levy its initial tax rate in the fall of 2026.

Historical Tax Collections

MUD 189 expects to levy its initial Contract Tax in the fall of 2026 for 2026 Contract Payments due in 2027. The 2026 Contract Payments are due to the Master District in equal payment on March 1 and September 1, 2027.

APPENDIX B

Financial Statements of the District and the Participants

Audited Financial Statements of the Master District for the Year Ending June 30, 2025
Audited Financial Statements of MUD 140 for the Year Ending June 30, 2025
Annual Financial Report of MUD 189 for the Year Ending June 30, 2026

.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE	8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND TYPE	9
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE	10
NOTES TO THE FINANCIAL STATEMENTS	11-24
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
SERVICES AND RATES	26-28
ENTERPRISE FUND EXPENSES	29
INVESTMENTS	30
LONG-TERM DEBT SERVICE REQUIREMENTS	31-36
CHANGES IN LONG-TERM BOND DEBT	37-38
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	39-40

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. 186
Montgomery County, Texas

Opinion

We have audited the accompanying financial statements of Montgomery County Municipal Utility District No. 186 (the "District") as of and for the year ended June 30, 2025, and the related notes to the 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 financial position of the District as of June 30, 2025, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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. 186

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 6, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Our discussion and analysis of the financial performance of Montgomery County Municipal Utility District No. 186 (the "District") provides an overview of the District's financial activities for the fiscal 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 financial statements include: (1) Statement of Net Position, (2) Statement of Revenues, Expenses and Changes in Net Position, (3) Statement of Cash Flows, and (4) notes to the financial statements. This report also includes required and supplementary information in addition to the financial statements.

FINANCIAL STATEMENTS

The District's annual report includes three financial statements. These 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.

The Statement of Net Position includes all of the District's assets and liabilities, 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 Revenues, Expenses and Changes in Net Position reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The Statement of Cash Flows shows the inflows and outflows of cash that occurred during the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

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 $19,477,386, as of June 30, 2025.

A portion of the District's net position reflects its net investment in capital assets (land, water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District's Developer has incurred costs related to the construction of certain facilities necessary to provide water and wastewater service to the participating districts.

The following table provides a summary of the changes in the Statement of Net Position for the years ending June 30, 2025, and June 30, 2024:

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 4,070,766	$ 2,867,529	$ 1,203,237
Capital Assets (Net of Accumulated Depreciation)	21,193,078	19,155,254	2,037,824
Total Assets	$ 25,263,844	$ 22,022,783	$ 3,241,061
Due to Developer	$ 9,243,255	$ 11,411,886	$ 2,168,631
Bonds Payable	34,705,923	26,375,658	(8,330,265)
Other Liabilities	792,052	390,215	(401,837)
Total Liabilities	$ 44,741,230	$ 38,177,759	$ (6,563,471)
Net Position:			
Net Investment in Capital Assets	$ (21,885,448)	$ (18,077,488)	$ (3,807,960)
Restricted	2,536,556	1,709,554	827,002
Unrestricted	(128,494)	212,958	(341,452)
Total Net Position	$ (19,477,386)	$ (16,154,976)	$ (3,322,410)

The following 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:			
Charges for Services	$ 2,064,523	$ 1,791,380	$ 273,143
Other Revenues		59,784	(59,784)
Total Revenues	$ 2,064,523	$ 1,851,164	$ 213,359
Expenses for Services	(5,386,933)	(7,498,200)	(2,111,267)
Change in Net Position	$ (3,322,410)	$ (5,647,036)	$ 2,324,626
Net Position, Beginning of Year	(16,154,976)	(10,507,940)	(5,647,036)
Net Position, End of Year	$ (19,477,386)	$ (16,154,976)	$ (3,322,410)

CAPITAL ASSETS

Capital assets as of June 30, 2025, total $21,193,078 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 2,153,976	$ 2,153,976	$
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,792,551	1,571,718	220,833
Wastewater System	3,234,042	1,934,422	1,299,620
Drainage System	14,012,509	13,495,138	517,371
Total Net Capital Assets	$ 21,193,078	$ 19,155,254	$ 2,037,824

LONG-TERM DEBT

As of June 30, 2025, the District had total bond debt payable of $34,290,000. 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	$ 26,000,000
Add: Bond Sale	8,430,000
Less: Bond Principal Paid	140,000
Bond Debt Payable, June 30, 2025	$ 34,290,000

The District's Series 2023, Series 2023 Road, Series 2024 Road and Series 2024A bonds carry an insured rating of "AA" from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2024 bonds carry an insured rating of "AA" from S&P by virtue of bond insurance issued by Assured Guaranty.

As of June 30, 2025, the District recorded an amount due to Developer of $9,243,255 which consists of completed projects funded by the Developer.

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. 186, c/o The Muller Law Group, PLLC, 202 Century Square Blvd, Sugar Land, Texas 77478.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
STATEMENT OF NET POSITION - PROPRIETARY FUND TYPE
JUNE 30, 2025

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash-Restricted	$ 995,735
Investments-Restricted	1,663,231
Due from Others	54,220
Due from Other Governmental Units	1,357,580
TOTAL CURRENT ASSETS	4,070,766
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land and Land Improvements	$ 2,153,976
Capital Assets (Net of Accumulated Depreciation)	19,039,102
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	$ 21,193,078
TOTAL ASSETS	$ 25,263,844
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	$ 353,859
Accrued Interest Payable	131,018
Due to Other Governmental Units	36,475
O&M Reserve (MCM 140)	270,700
TOTAL CURRENT LIABILITIES	$ 792,052
NONCURRENT LIABILITIES	
Due to Developer	$ 9,243,255
Bonds Payable -	
Due Within One Year	600,000
Due After One Year	34,105,923
TOTAL NONCURRENT LIABILITIES	43,949,178
TOTAL LIABILITIES	$ 44,741,230
NET POSITION	
Net Investment in Capital Assets	$ (21,885,448)
Restricted for Debt Service	2,536,556
Unrestricted	(128,494)
TOTAL NET POSITION	$ (19,477,386)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Fund
REVENUES	
Regional Operator Fees	$ 981,702
Regional Capacity Fees	1,082,821
OPERATING REVENUES	$ 2,064,523
OPERATING EXPENSES	
Service Operations:	
Professional Fees	$ 234,105
Contracted Services	393,532
Purchased Water Service	797,287
Utilities	11,060
Repairs and Maintenance	372,340
Tap Connection and Inspection Expenses	565,399
Depreciation	510,557
Other	55,315
TOTAL OPERATING EXPENSES	$ 2,939,595
OPERATING INCOME (LOSS)	$ (875,072)
NONOPERATING REVENUES (EXPENSES)	
Investment Revenues	$ 44,745
Contract Tax Payment from Participant	1,959,895
Conveyance of Assets	(1,517,902)
Developer Interest	(733,538)
Debt Service:	
Bond Issuance Costs	(811,589)
Bond Interest	(1,388,949)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (2,447,338)
CHANGE IN NET POSITION	$ (3,322,410)
NET POSITION - JULY 1, 2024	(16,154,976)
NET POSITION - JUNE 30, 2025	$ (19,477,386)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Participants	$ 1,265,028
Cash Payments for Goods and Services	(2,027,201)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (762,173)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond Proceeds, net of Bond Redemption, net of Bond Premium and Bond Discount, less Capital Outlay	$ 8,312,859
Bond Issuance Costs	(811,589)
Bond Interest	(1,359,544)
Developer Reimbursement including Interest	(6,980,451)
Contract Tax Payment from Participant	1,959,895
NET CASH PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITES	$ 1,121,170
CASH FLOWS FROM INVESTING ACTIVITES:	
Receipt of Interest	$ 44,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 403,742
CASH AND CASH EQUIVALENTS - JULY 1, 2024	2,255,224
CASH AND CASH EQUIVALENTS - JUNE 30, 2025	$ 2,658,966
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (875,072)
Depreciation	510,557
(Increase)Decrease in Receivables	(799,495)
Increase (Decrease) in Accounts Payable	131,137
Increase (Decrease) in Reserves	270,700
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (762,173)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 186 (the "District") was created effective September 1, 2020, from the division of Montgomery County Municipal Utility District No. 140 ("District No. 140") into six districts in accordance with Section 8245.125 of the Texas Special District Local Laws Code. 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 and customers within the District's Service Area (defined herein). The Board of Directors held its first meeting on January 19, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has contracted with District No. 140 to serve as the Master District for the financing, operation, and maintenance of regional water, wastewater, drainage, road and park facilities.

The transactions of the District are being accounted for in the following fund type:

<u>Proprietary Fund Type</u> – Proprietary Funds are used to account for the District's on-going activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in cash flows. The following is the District's Proprietary Fund Type:

<u>Enterprise Fund</u> - To account for the District's cost for providing services, including capital costs (such as depreciation) which are recovered with fees and charges rather than taxes or similar revenues.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Enterprise Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the 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 cost which approximates the fair market value on the date donated. Repair and maintenance is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position. 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 over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, 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 financial position, and cash flows. All assets and liabilities associated with the activities are reported. Equity is classified as net position. GASB 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

- 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.

The District considers all amounts in checking accounts, money market accounts, savings accounts, and all highly liquid investments with a maturity of 90 days or less when purchased to be cash and cash equivalents.

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

NOTE 3. LONG-TERM DEBT

	Series 2023 Contract Revenue Bonds (W,S&D)	Series 2023 Contract Revenue Bonds (Road)
Amount Outstanding – June 30, 2025	$ 6,470,000	$ 9,000,000
Interest Rates	4.00% - 6.50%	4.50% - 7.00%
Maturity Dates - Serially Beginning/Ending	December 1, 2025/2047	December 1, 2025/2048
Interest Payment Dates	December 1/ June 1	December 1/ June 1
Callable Dates	December 1, 2029*	December 1, 2029*

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2024 Contract Revenue Bonds (W,S&D)	Series 2024 Contract Revenue Bonds (Road)	Series 2024A Contract Revenue Bonds (W,S&D)
Amount Outstanding – June 30, 2025	$ 6,000,000	$ 4,390,000	$ 8,430,000
Interest Rates	3.00% - 5.50%	4.00% - 6.50%	4.125% - 6.625%
Maturity Dates - Serially Beginning/Ending	December 1, 2025/2048	December 1, 2026/2049	December 1, 2027/2054
Interest Payment Dates	December 1/ June 1	December 1/ June 1	December 1/ June 1
Callable Dates	December 1, 2030*	December 1, 2030*	December 1, 2031*

* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2023 Road term bonds due on December 1, 2029, 2033, 2038, 2040, 2046, and 2048 are subject to mandatory redemption beginning December 1, 2025, 2032, 2037, 2039, 2045 and 2047, respectively. Series 2024 term bonds due on December 1, 2033, 2039, 2041, 2043, 2045 and 2047 are subject to mandatory redemption beginning December 1, 2032, 2038, 2040, 2042, 2044 and 2046, respectively. Series 2024 Road term bonds due on December 1, 2035 are subject to mandatory redemption beginning December 1, 2034.

Bond payable activity for the current fiscal year are summarized in the following table:

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	$ 26,000,000	$ 8,430,000	$ 140,000	$ 34,290,000
Unamortized Discounts	(277,441)	(157,487)	(14,601)	(420,327)
Unamortized Premiums	653,099	214,525	31,374	836,250
Total Bonds Payable, Net	$ 26,375,658	$ 8,487,038	$ 156,773	$ 34,705,923

Amount Due Within One Year	$ 600,000
Amount Due After One Year	34,105,923
Total Bonds Payable, Net	$ 34,705,923

NOTE 3. LONG-TERM DEBT (Continued)

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

The bonds are payable from the proceeds collected from Participants as outlined in Note 7.

See Note 11 for information related to any maintenance tax levy.

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

NOTE 4. INDENTURE OF TRUST

The Contract Revenue Bonds are secured by Indentures of Trust dated March 30, 2023 and August 14, 2023, respectively, from the Master District to The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as Trustee. The Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Water, Sewer, and Drainage and Road Contract Payments under the Master District Contract. Such Water, Sewer, and Drainage and Road Contract Payments, together with all amounts from time to time on deposit in the Water, Sewer, and Drainage Debt Service Fund, Water, Sewer, and Drainage Reserve Fund, Road Debt Service Fund and Road Reserve Fund maintained by the Trustee pursuant to the respective Indentures, together with any other property from time to time hereafter conveyed or granted to the Trustee shall constitute the "Water, Sewer, and Drainage Pledged Revenues" and "Road Pledged Revenues" held by the Trustee under the respective Indentures.

NOTE 4. INDENTURE OF TRUST (Continued)

Pursuant to the respective Indentures, the Trustee is to maintain the Water, Sewer, and Drainage Debt Service Fund, Water, Sewer, and Drainage Reserve Fund, Road Debt Service Fund and Road Reserve Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Water, Sewer, and Drainage and Road Contract Revenue Bonds. The Master District has covenanted in the respective Indentures that it will cause to be charged to each Participant, for deposit into the Water, Sewer, and Drainage and Road Debt Service Funds by the Master District, Contract Payments in amounts sufficient, together with other Pledged Revenues, to provide for the timely payment of all principal and interest due on the Water, Sewer, and Drainage and Road Contract Revenue Bonds. Subject to the provisions of applicable law and the Master District Contract, the Master District has covenanted in the respective Indentures to use its best efforts to cause to be paid by each Participant all Water, Sewer, and Drainage and Road Contract Payments to the Master District, when due, for payment by the Master District to the Trustee. The Water, Sewer, and Drainage Debt Service Fund, the Water, Sewer, and Drainage Reserve Fund, the Road Debt Service Fund and the Road Reserve Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts in the Water, Sewer, and Drainage and Road Reserve Funds shall be used to pay interest on and principal of the Bonds when insufficient funds are available for such purpose in the Water, Sewer, and Drainage and Road Debt Service Funds or shall be applied toward the payment of principal of or interest on the Water, Sewer, and Drainage and Road Contract Revenue Bonds in connection with a refunding or redemption. The Water, Sewer, and Drainage Reserve Fund and Road Reserve Fund Requirement has been established in the Bond Resolution to be, with respect to the Water, Sewer, and Drainage and Road Contract Revenue Bonds, a sum of money equal to one-half of the maximum annual debt service requirements on the Water, Sewer, and Drainage and Road Contract Revenue Bonds then outstanding. Any funds in excess of the Water, Sewer, and Drainage and Road Reserve Fund Requirements held in the Water, Sewer, and Drainage or Road Reserve Funds may be deposited into the Water, Sewer, and Drainage Debt Service Funds, as directed by the Master District's Board of Directors.

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 $995,735 and the bank balance was $1,092,720. The District was not exposed to custodial credit risk at year-end.

Investments

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

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

The District invests in Fidelity Investments Money Market Treasury Portfolio – Class III. The fund normally invests at least 99.5% of the fund's total assets in cash, U.S. Government securities and/or repurchase agreements that are fully collateralized. The fund invests in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, liquidity and diversification of investments. The fund seeks to maintain a net asset value (NAV) of $1.00 per share. NAV is calculated daily.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Investment Type	Fair Value	Maturities of Less Than 1 Year
ENTERPISE FUND		
Fidelity Money Market Funds	$ 1,663,231	$ 1,663,231

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 investments in the money market funds were 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 investments in the money market funds to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

NOTE 6. CAPITAL ASSETS

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

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 2,153,976	$ -0-	$ -0-	$ 2,153,976
Capital Assets Subject to Depreciation				
Water System	$ 1,665,879	$ 270,378	$	$ 1,936,257
Wastewater System	2,048,692	1,385,347		3,434,039
Drainage System	14,294,859	892,656		15,187,515
Total Capital Assets Subject to Depreciation	$ 18,009,430	$ 2,548,381	$ -0-	$ 20,557,811
Accumulated Depreciation				
Water System	$ 94,161	$ 49,545	$	$ 143,706
Wastewater System	114,270	85,727		199,997
Drainage System	799,721	375,285		1,175,006
Total Accumulated Depreciation	$ 1,008,152	$ 510,557	$ -0-	$ 1,518,709
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 17,001,278	$ 2,037,824	$ -0-	$ 19,039,102
Total Capital Assets, Net of Accumulated Depreciation	$ 19,155,254	$ 2,037,824	$ -0-	$ 21,193,078

NOTE 7. REGIONAL FACILITIES

The District serves as the Master District (the "District" or "Master District") of a regional system (the "Master District System") in which the Master District provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road and park facilities ("Master District Facilities") to serve other municipal utility districts (each a "Participant") that i) are located within the approximately 2,319 acre community known as The Highlands (the "Service Area") 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.

Currently, only District No. 140 has entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") with the District. There are four additional municipal districts other than the Master District and District No. 140 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, and therefore, and not considered Participants at this time.

Among other things, the Master District Contract provides that the 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 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 District. Each Participant's contract payments will be calculated annually by the 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, District No. 140'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 District.

NOTE 7. REGIONAL FACILITIES (Continued)

As of June 30, 2025, the District has closed on the sale of bonds in the amount of $34,430,000. District No. 140 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 District No. 140.

The Master District Contract further requires that each Participant fund its pro-rata share of the 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 District. If any Participant fails to pay its share of these costs in a timely manner, the District Contract provides that the 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 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 District under the Master District Contract. Currently, as the only Participant, District No. 140 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 District.

Water Facilities: Pursuant to the Master District Contract, the District is responsible for planning and providing regional water facilities to the Participants within its Service Area. In order to provide potable water supply services to the Participants, the 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 Service Area (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 District has one emergency water interconnect with Montgomery County Municipal Utility District No. 56.

NOTE 7. REGIONAL FACILITIES (Continued)

Wastewater Facilities: Pursuant to the Master District Contract, the District is responsible for planning and providing regional wastewater facilities to the Participants within its Service Area. In order to provide wastewater treatment services to the Participants, the 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 ESFC, which is sufficient to serve the existing 1,130 ESFCs within the Service Area (958 completed homes and 172 homes under construction or in the name of a builder). The original capacity calculation of 1,000 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 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 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. A portion of Bond proceeds issued subsequent to year end, will be used to purchase 81 ESFCs worth of capacity in the West Fork System. In addition to the Initial Payment and connection charges, the Wholesale Agreement provides that the 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.

NOTE 7. REGIONAL FACILITIES (Continued)

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. 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, and transport it to the West Fork System.

Master Drainage: The 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 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 District No. 140 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 District No. 140 with an expected completion date in the fourth quarter of 2025.

NOTE 8. 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 $9,243,255 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 summarizes the current fiscal year activity related to unreimbursed Developer costs for operating advances:

Due to Developer, beginning of year	$ 11,411,886
Current Year Additions	3,307,608
Current Year Reimburesments	(5,476,239)
Due to Developer, end of year	$ 9,243,255

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement ("SPA") with the City of Conroe, Texas (the "City"), effective February 10, 2022, whereby the City may impose its sales and use tax within the District upon its limited purpose annexation of the District. To date, the City has not exercised its right to annex the District for limited purposes, but it may exercise this right at any time. After the date of the limited purpose annexation, the City shall pay to the District an amount equal to 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller.

The City may, but is not required to, annex the District for full purposes at such time as the City annexes one or more of the Participants. 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 and continue supplying services to the Participants. Furthermore, the City shall allow the District to continue as a limited district until all Participants have been annexed by the City.

If the City annexes all of the land within the Participants for full purposes, and determines not to continue the District as a limited district, the City shall dissolve the District and assume the debt of the District as provided in Texas Local Government Code, Section 43.075.

NOTE 11. 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, if levied, is to be used to pay expenditures of operating the District's conservation and reclamation system. During the year ended June 30, 2025, the District did not levy a maintenance tax.

NOTE 12. BOND SALE

On December 12, 2024, the District closed on the sale of $8,430,000 of Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2024A. Proceeds from the bonds were used to reimburse the Developer for engineering and construction costs and related costs of land acquisition for water, wastewater and drainage facilities to serve Highlands Cumberland Boulevard, Drainage Structure for Highlands Detention, Phase 1B-2 and Interim East Channel and TX DOT Crossing for Highlands Detention, Phase 1B-3. Additional proceeds were used to fund capitalized interest, pay for issuance costs of the bonds and to purchase wholesale water and sewer capacity.

NOTE 13. WATER SUPPLY AND INTERCONNECT AGREEMENT

On October 15, 2020, District No. 140 entered into a Water Supply and Interconnect Contract with Montgomery County Municipal Utility District No. 56 ("MUD 56"). The agreement required District No. 140 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 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 14. SUBSEQUENT EVENT – PENDING BOND SALE

On October 14, 2025, subsequent to year end, the District anticipates closing on the sale of $10,500,000 of Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2025. Proceeds from the bonds will be used to reimburse the Developer for engineering and construction costs and related costs of land acquisition for water, wastewater and drainage facilities. Additional proceeds will be used to fund capitalized interest, pay for issuance costs of the bonds and to purchase wholesale water and sewer capacity.

MONTGOMERY COUNTY MUNICIPAL UTILITY

DISTRICT NO. 186

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGMENET GUIDE

JUNE 30, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

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

	Retail Water	X	Wholesale Water	X	Drainage
	Retail Wastewater	X	Wholesale Wastewater		Irrigation
X	Parks/Recreation		Fire Protection		Security
X	Solid Waste/Garbage		Flood Control	X	Roads

	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
	Other (specify):
X	Provides Master District services to Participants-See Note 7

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved February 10, 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. 186
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"	2	1	x 1.0	1
1"			x 2.5	
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	2	1		1
Total Wastewater Connections	-0-	-0-	x 1.0	-0-

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

Water Accountability Ratio: 100.0%
(Gallons billed /Gallons pumped)

Gallons purchased:	115,122,000	From: West Fork
Gallons billed to customers:	115,122,000	Sold: Montgomery MUD No. 140

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
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 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 extraterritorial jurisdiction (ETJ)?

Entirely _X_ Partly _____ Not at all ____

ETJ in which District is located.

City of Conroe, Texas

Is the general membership of the Board appointed by an office outside the district?

Yes ____ No _X_

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
ENTERPRISE FUND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

PROFESSIONAL FEES:		
Auditing	$	16,750
Engineering		27,916
Legal		189,439
TOTAL PROFESSIONAL FEES	$	234,105
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	797,287
CONTRACTED SERVICES:		
Bookkeeping	$	13,523
Operations and Billing		133,742
Fiscal Agent Fees		4,120
Security		242,147
TOTAL CONTRACTED SERVICES	$	393,532
UTILITIES	$	11,060
REPAIRS AND MAINTENANCE	$	372,340
ADMINISTRATIVE EXPENSES:		
Director Fees	$	9,061
Insurance		5,908
Legal Notices		316
Office Supplies and Postage		23,081
Payroll Taxes		744
Travel and Meetings		1,382
Other		14,823
TOTAL ADMINISTRATIVE EXPENSES	$	55,315
TAP CONNECTIONS	$	565,399
OTHER EXPENSES:		
Depreciation	$	510,557
Conveyance of Assets		1,517,902
Developer Interest		733,538
Bond Issuance Costs		811,589
Bond Interest		1,388,949
TOTAL OTHER EXPENSES	$	4,962,535
TOTAL EXPENSES	$	7,391,573

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
INVESTMENTS
JUNE 30, 2025

Investment Type	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
RESTICTED INVESTMENTS					
Fidelity Money Market Fund	XXXX3125	Varies	Daily	$ 125,603	$ -0-
Fidelity Money Market Fund	XXXX3126	Varies	Daily	489,112	
Fidelity Money Market Fund	XXXX3224	Varies	Daily	313,682	
Fidelity Money Market Fund	XXXX3225	Varies	Daily	734,834	
TOTAL RESTRICTED INVESTMENTS				$ 1,663,231	$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2023 CONTRACT (WATER, SEWER AND DRAINAGE)		
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2026	$ 145,000	$ 287,131	$ 432,131
2027	155,000	277,381	432,381
2028	165,000	266,981	431,981
2029	175,000	255,931	430,931
2030	180,000	244,394	424,394
2031	190,000	232,369	422,369
2032	200,000	219,694	419,694
2033	215,000	208,894	423,894
2034	225,000	200,094	425,094
2035	240,000	190,794	430,794
2036	250,000	180,994	430,994
2037	265,000	170,694	435,694
2038	280,000	159,794	439,794
2039	295,000	148,294	443,294
2040	310,000	136,194	446,194
2041	325,000	123,494	448,494
2042	345,000	110,094	455,094
2043	365,000	95,894	460,894
2044	385,000	80,894	465,894
2045	405,000	64,841	469,841
2046	430,000	47,619	477,619
2047	450,000	29,469	479,469
2048	475,000	10,090	485,090
2049			
2050			
2051			
2052			
2053			
2054			
2055			
	$ 6,470,000	$ 3,742,028	$ 10,212,028

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2023 CONTRACT (ROAD)		
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2026	$ 205,000	$ 445,419	$ 650,419
2027	210,000	430,894	640,894
2028	225,000	415,669	640,669
2029	235,000	399,569	634,569
2030	245,000	382,769	627,769
2031	260,000	365,094	625,094
2032	270,000	346,881	616,881
2033	285,000	331,356	616,356
2034	300,000	318,194	618,194
2035	315,000	304,356	619,356
2036	330,000	289,844	619,844
2037	345,000	274,656	619,656
2038	365,000	258,682	623,682
2039	380,000	241,919	621,919
2040	400,000	224,369	624,369
2041	420,000	205,919	625,919
2042	440,000	186,569	626,569
2043	465,000	166,206	631,206
2044	485,000	144,528	629,528
2045	510,000	121,519	631,519
2046	535,000	97,019	632,019
2047	565,000	70,894	635,894
2048	590,000	43,463	633,463
2049	620,000	14,725	634,725
2050			
2051			
2052			
2053			
2054			
2055			
	$ 9,000,000	$ 6,080,513	$ 15,080,513

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2024 CONTRACT (WATER, SEWER AND DRAINAGE)		
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2026	$ 250,000	$ 238,125	$ 488,125
2027	250,000	224,688	474,688
2028	250,000	210,938	460,938
2029	250,000	197,188	447,188
2030	250,000	183,750	433,750
2031	250,000	170,938	420,938
2032	250,000	160,938	410,938
2033	250,000	153,438	403,438
2034	250,000	145,938	395,938
2035	250,000	138,281	388,281
2036	250,000	130,313	380,313
2037	250,000	121,875	371,875
2038	250,000	113,125	363,125
2039	250,000	104,063	354,063
2040	250,000	94,688	344,688
2041	250,000	85,000	335,000
2042	250,000	75,000	325,000
2043	250,000	65,000	315,000
2044	250,000	55,000	305,000
2045	250,000	45,000	295,000
2046	250,000	35,000	285,000
2047	250,000	25,000	275,000
2048	250,000	15,000	265,000
2049	250,000	5,000	255,000
2050			
2051			
2052			
2053			
2054			
2055			
	$ 6,000,000	$ 2,793,286	$ 8,793,286

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2024 CONTRACT (ROAD)		
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2026		$ 201,038	$ 201,038
2027	100,000	197,788	297,788
2028	105,000	191,125	296,125
2029	110,000	184,138	294,138
2030	115,000	176,825	291,825
2031	125,000	169,025	294,025
2032	130,000	160,738	290,738
2033	135,000	153,138	288,138
2034	140,000	146,963	286,963
2035	150,000	141,163	291,163
2036	155,000	135,063	290,063
2037	160,000	128,763	288,763
2038	170,000	122,163	292,163
2039	180,000	115,163	295,163
2040	185,000	107,863	292,863
2041	195,000	100,141	295,141
2042	205,000	91,891	296,891
2043	215,000	83,094	298,094
2044	225,000	73,744	298,744
2045	235,000	63,969	298,969
2046	245,000	53,769	298,769
2047	260,000	42,875	302,875
2048	270,000	31,281	301,281
2049	285,000	19,141	304,141
2050	295,000	6,453	301,453
2051	-		
2052			
2053			
2054			
2055			
	$ 4,390,000	$ 2,897,314	$ 7,287,314

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2024A CONTRACT (WATER, SEWER AND DRAINAGE)		
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2026		382,050	382,050
2027		382,050	382,050
2028	155,000	376,916	531,916
2029	165,000	366,316	531,316
2030	170,000	355,219	525,219
2031	180,000	343,625	523,625
2032	185,000	331,534	516,534
2033	195,000	318,947	513,947
2034	205,000	305,697	510,697
2035	215,000	294,472	509,472
2036	220,000	285,500	505,500
2037	230,000	276,219	506,219
2038	245,000	266,422	511,422
2039	255,000	256,109	511,109
2040	265,000	245,384	510,384
2041	275,000	234,247	509,247
2042	290,000	222,594	512,594
2043	300,000	210,425	510,425
2044	315,000	197,741	512,741
2045	330,000	184,438	514,438
2046	345,000	170,516	515,516
2047	360,000	155,975	515,975
2048	375,000	140,816	515,816
2049	395,000	124,934	519,934
2050	410,000	108,331	518,331
2051	430,000	90,738	520,738
2052	450,000	72,037	522,037
2053	470,000	52,487	522,487
2054	490,000	32,087	522,087
2055	510,000	10,837	520,837
	$ 8,430,000	$ 6,794,663	$ 15,224,663

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Due During Fiscal Years Ending June 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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	1,005,000	1,281,051	2,286,051
2032	1,035,000	1,219,785	2,254,785
2033	1,080,000	1,165,773	2,245,773
2034	1,120,000	1,116,886	2,236,886
2035	1,170,000	1,069,066	2,239,066
2036	1,205,000	1,021,714	2,226,714
2037	1,250,000	972,207	2,222,207
2038	1,310,000	920,186	2,230,186
2039	1,360,000	865,548	2,225,548
2040	1,410,000	808,498	2,218,498
2041	1,465,000	748,801	2,213,801
2042	1,530,000	686,148	2,216,148
2043	1,595,000	620,619	2,215,619
2044	1,660,000	551,907	2,211,907
2045	1,730,000	479,767	2,209,767
2046	1,805,000	403,923	2,208,923
2047	1,885,000	324,213	2,209,213
2048	1,960,000	240,650	2,200,650
2049	1,550,000	163,800	1,713,800
2050	705,000	114,784	819,784
2051	430,000	90,738	520,738
2052	450,000	72,037	522,037
2053	470,000	52,487	522,487
2054	490,000	32,087	522,087
2055	510,000	10,837	520,837
	$ 34,290,000	$ 22,307,804	$ 56,597,804

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
CHANGES IN LONG-TERM BOND DEBT
JUNE 30, 2025

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024
Montgomery County Municipal Utility District No. 186 Contract Revenue Bonds (Water, Sewer and Drainage) - Series 2023	$ 6,610,000	$ 6,610,000
Montgomery County Municipal Utility District No. 186 Contract Revenue Bonds (Road) - Series 2023	9,000,000	9,000,000
Montgomery County Municipal Utility District No. 186 Contract Revenue Bonds (Water, Sewer and Drainage) - Series 2024	6,000,000	6,000,000
Montgomery County Municipal Utility District No. 186 Contract Revenue Bonds (Road) - Series 2024	4,390,000	4,390,000
Montgomery County Municipal Utility District No. 186 Contract Revenue Bonds (Water, Sewer and Drainage) - Series 2024A	8,430,000	
TOTAL	$ 34,430,000	$ 26,000,000

Debt Service Fund cash, investments and cash with paying agent as of June 30, 2025:	$ 1,687,626
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,886,593

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
$	$ 140,000	$ 296,394	$ 6,470,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		452,594	9,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		244,687	6,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		186,518	4,390,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
8,430,000		179,351	8,430,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ 8,430,000	$ 140,000	$ 1,359,544	$ 34,290,000	

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 186
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

District Mailing Address - Montgomery County Municipal Utility District No. 186
c/o The Muller Law Group, PLLC
202 Century Square Blvd
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
Emily Cordero	05/22 – 05/26 (Elected)	$ 2,431	$ 482	President
June Deleon	05/24 – 05/28 (Elected)	$ 2,431	$ 427	Vice President
Sharla Fredricksen	05/22 – 05/26 (Elected)	$ 1,326	$ 83	Secretary
Chris Poole	05/24 – 05/28 (Elected)	$ 1,989	$ 368	Assistant Vice President
Chelsea Florack	02/25 – 05/28 (Appointed)	$ 884	$ 21	Assistant Secretary

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: March 5, 2025

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution. 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. 186
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	01/19/21	$ 189,439 $ 198,600	General Counsel Bond Related
McCall Gibson Swedlund Barfoot Ellis PLLC	04/11/22	$ 16,750 $ 32,000	Auditor Bond Related
District Data Services	08/31/22	$ 13,523 $ 6,000	Bookkeeper Bond Related
Stephanie Viator Lynnette Tujague	08/31/22	$ -0-	Investment Officers
Pape-Dawson Engineers, Inc.	01/19/21	$ 21,841 $ 116,481	Engineer Bond Related
Masterson Advisors LLC	02/13/23	$ 120,340	Financial Advisor
Inframark, LLC	01/19/21	$1,072,659	Operator
BLICO, INC., (dba Bob Leared Interests)	01/19/21	$ 2,500	Tax Assessor

See accompanying independent auditor's report.

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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-17
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	18
NOTES TO THE FINANCIAL STATEMENTS	19-36
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	38
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	40-42
GENERAL FUND EXPENDITURES	43
INVESTMENTS	44
TAXES LEVIED AND RECEIVABLE	45-46
LONG-TERM DEBT SERVICE REQUIREMENTS	47-53
CHANGES IN LONG-TERM BOND DEBT	54-55
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FOUR YEARS	56-59
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	60-61

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.

ANNUAL FINANCIAL REPORT

Of

Legal Name of District or Authority:	Montgomery County M.U.D. No. 189
For the Fiscal Year Ended:	06/30/2026
Preparer:	Shari Harvey
Title:	Bookkeeper
Date:	7/24/26
Telephone Number: (AC)	(346) 391-5747

10707 Corporate Dr. Ste 162	Stafford, TX	77477
District's Mailing Address	**City, State**	**Zip Code**

AUDIT REPORT EXEMPTION

Texas Water Code §49.198. AUDIT REPORT EXEMPTION (effective September 1, 2011)

§49.198(a) A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:

§49.198(a)(1) The district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;

§49.198(a)(2) The district did not have gross receipts from operations, loans, taxes, or contributions in excess of $250,000 during the fiscal period; and

§49.198(a)(3) The district's cash and temporary investments were not in excess of $250,000 during the fiscal period.

§49.198(b) The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.

§49.198(c) The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.

§49.198(d) Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Montgomery County M.U.D. No. 189 as of
(Name of District)

June 30, 2026 I also certify that the above district has complied in full
(Date of Fiscal Year End)

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

10707 Corporate DR. Ste 162, Stafford TX 77477
(Address of District)

Shani Harvey, Bookkeeper
(Typed Name and Title)

7/24/2026
(Signature of Affiant) *(Date)*

Subscribed and Sworn to before me by this 24 day of July

2026 In and For Ft. Bend County, Texas

Lynnette R Tujague Sept. 28, 2027
(Typed Name of Notary) *(My Commission Expires On)*

LYNNETTE TUJAGUE
Notary ID #128585404
My Commission Expires
September 28, 2027

District Name: _____

MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION

as of the District's Fiscal Year-End

A. **Disclosures to comply with Rule 30 TAC 293.95(b)**

(1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities. ☐ Yes ☑ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☐ Yes ☐ No

These payments are estimated to cumulatively be:

Cost	Amount
Organization Costs	
Construction Costs	
Administration Cost	
Total Costs	

(2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report? ☐ Yes ☐ No

If yes, explain:

B. **Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j).** The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512-239-4691.

C. **Additional Information.**

This report should be sent to:

District Creation Review Team,
MC-152
Texas Commission on Environmental Quality
P.O. Box 13087 Austin, TX 78711-3087

Phone Number: 512-239-4691
Fax Number: 512-239-6190

BALANCE SHEET – CASH BASIS

Asset Type		Amount
Cash on Hand		
Cash in Bank (Schedule A)		64,734.02
Investment (Schedule B)		
Total Cash and Investments[i]		
Accrued Interest Receivable – Optional (Schedule B)		
Inventory		
General Fixed Assets		
Other Assets		
(Explain):		
	Total Assets:[ii]	64,734.02

LIABILITIES AND EXCESS		**Amount**
Notes Payable		
Refundable Deposits		
Developer Advances		240,000.00
Other Liabilities		
(Explain):		
Total Liabilities		240,000.00
Excess Assets Over Liabilities		(175,265.98)
Total Liabilities and Excess[iii]		64,734.02

Note to Preparer:

---

[i] "Total Cash and Investments" must equal "Cash and Investments – End of Year "on the Statement of Receipts and Disbursement", page 5.
[ii] Must equal "Total Liabilities and Excess"
[iii] Must equal "Total Assets"

STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

Receipts	Amount
Service Revenues	
Tax Receipts	
Penalty and Interest Received	
Interest Received on Investments	
Loans or Advances	240,000.00
All Other Receipts	
(Explain):	
Total Receipts	

Less Disbursements	Amount
Purchased Services for Resale	
Payroll	8,283.54
Legal, Accounting, or Contract Service	155,537.79
Supplies and Materials	
Maintenance	
Note Payments and Repayment of Advances	
All other Disbursements (Schedule C)	19,855.97
Total Disbursements	183,677.30
Excess of Receipts Over (under) Disbursements	56,322.70
Cash and Investments – Beginning of Year	(466.98)
Cash and Investment – End of Year (see Note 1 Page 4)	64,134.02

Note to Preparer: In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials." Please refer to Explanation of Terms, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

SCHEDULE A 1 – CASH IN BANK[i]

Name of Bank	Account Number	Purpose of Account	Balance
Central	4048471	Checking	64,734.02
		TOTAL	64,734.02

SCHEDULE B – INVESTMENTS[ii]

Type of Investment	Name of Bank	Certificate Number	Interest Rate	Maturity Date	Principal Balance	(Optional) Accrued Interest
			0.00%			
			0.00%			
			0.00%			
			0.00%			
				TOTALS		

SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS[iii]

Description of Disbursements[iv]	Amount
Election Expense	13,599.00
Insurance	3069.00
Misc.	3187.97
TOTAL	19,855.97

[i] Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
[ii] Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of "Principal Balance" and "Accrued Interest."
[iii] Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of "All Other Disbursements."
[iv] A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

APPENDIX C

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

SPECIMEN

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)

SPECIMEN