MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
(MONTGOMERY COUNTY, TEXAS)

PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 8, 2026

$14,700,000
CONTRACT REVENUE BONDS
(WATER, SEWER, AND DRAINAGE FACILITIES)
SERIES 2026

BIDS FOR THE BONDS TO BE SUBMITTED BY: 10:00 A.M., CENTRAL TIME
BIDS FOR THE BONDS TO BE OPENED AT: 12:00 P.M., CENTRAL TIME
TUESDAY, OCTOBER 13, 2026

CEDAR CREEK
MUNICIPAL ADVISORS

Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

In the opinion of Bond Counsel (herein defined), under current law and subject to conditions described under "TAX MATTERS," 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 (herein defined)) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described under "TAX MATTERS."

The Bonds will NOT be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only **NOT RATED**

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
(A political subdivision of the State of Texas, located within Montgomery County)

$14,700,000
Contract Revenue Bonds
(Water, Sewer, and Drainage Facilities)
Series 2026

Interest Accrues from: Date of Delivery **Due: November 1, as shown on the inside cover**

The $14,700,000 Montgomery County Municipal Utility District No. 123 Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2026 (the "Bonds") are special obligations of Montgomery County Municipal Utility District No. 123 (the "District" or the "Master District") payable solely from and to the extent of payments contractually required of the municipal utility districts (the "Participants") within the Service Area (herein defined) 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 "Contract Payments"). Payment of Contract Payments 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 (the "Master District Contract") as described more fully under "THE PARTICIPANTS – Contract Taxes." The Bonds are special obligations of the Master District payable solely from the Contract Payments and are not obligations of the State of Texas; Montgomery County, Texas; the Participant; or any entity other than the Master District.

The Bonds are dated November 1, 2026, and mature on November 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about November 12, 2026), at the rates set forth on the inside cover, and is payable May 1, 2027, and each November 1 and May 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

The Bonds, when issued, will constitute valid and binding obligations of the Master District and will be payable from Contract Payments, as further described herein. See "THE BONDS – Source of Payment."

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, 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 as discussed under "THE BONDS – Book-Entry-Only System."

See "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover.

The Bonds constitute the first series of contract revenue bonds issued by the Master District for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities").

Investment in the Bonds is subject to special investment risks as described herein. See "RISK FACTORS."

The Bonds are offered by the winning bidder for the Bonds (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 Attorney General of the State of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, ("Bond Counsel"). Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 12, 2026.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

$14,700,000 Montgomery County Municipal Utility District No. 123

Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2026

Due (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Due (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2028	$ 300,000	___%	___%	___	2040 (c)	$ 585,000	___%	___%	___
2029	315,000	___%	___%	___	2041 (c)	620,000	___%	___%	___
2030	335,000	___%	___%	___	2042 (c)	655,000	___%	___%	___
2031	355,000	___%	___%	___	2043 (c)	690,000	___%	___%	___
2032 (c)	375,000	___%	___%	___	2044 (c)	730,000	___%	___%	___
2033 (c)	395,000	___%	___%	___	2045 (c)	775,000	___%	___%	___
2034 (c)	420,000	___%	___%	___	2046 (c)	820,000	___%	___%	___
2035 (c)	440,000	___%	___%	___	2047 (c)	865,000	___%	___%	___
2036 (c)	465,000	___%	___%	___	2048 (c)	915,000	___%	___%	___
2037 (c)	495,000	___%	___%	___	2049 (c)	965,000	___%	___%	___
2038 (c)	525,000	___%	___%	___	2050 (c)	1,025,000	___%	___%	___
2039 (c)	555,000	___%	___%	___	2051 (c)	1,080,000	___%	___%	___

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. None of the Master District, the Financial Advisor (herein defined), or the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(c) The Bonds maturing on November 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one (1) or more maturities as term bonds. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the Master District with respect to the Bonds, as such term is defined in the Rule.

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, audits, engineering, and other related reports set forth herein 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 Bond Counsel upon payment of duplication costs, for further information.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

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. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Master District and to the extent such information actually comes to its attention, the other matters described herein, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

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

TABLE OF CONTENTS

	Page
USE OF INFORMATION IN OFFICIAL STATEMENT	1
SALE AND DISTRIBUTION OF THE BONDS	3
Award of the Bonds	3
Prices and Marketability	3
Securities Laws	3
MUNICIPAL BOND INSURANCE	3
RATING	3
OFFICIAL STATEMENT SUMMARY	4
SELECTED FINANCIAL INFORMATION	11
Contract Revenue Bonds of the Master District	11
Master District Debt Service Funds Available as of the Issuance of the Bonds	11
Debt Service Requirements on the Bonds	12
Status of Development as of September 8, 2026	12
Tax Rates of the Participants	12
Estimated Debt Service Requirement Schedule	13
INTRODUCTION	14
RISK FACTORS	14
General	14
Economic Factors and Interest Rates	15
Undeveloped Acreage and Vacant Lots	15
Dependence on Major Taxpayers and the Developer	16
Operating Funds	16
Increase in Costs of Building Materials and Labor Shortages	16
Operational Expenses	17
No Reserve Fund	17
Potential Impact of Natural Disaster	17

Overlapping Debt and Tax Rates 17
Maximum Impact on Contract Tax Rate 18
Competition 18
Debt Burden on Property Within the Service Area 18
Tax Collection Limitations 19
Registered Owners' Remedies and Bankruptcy 19
Marketability 20
Future Debt 20
Environmental Regulations 20
Approval of the Bonds 22
Changes in Tax Legislation 22
Cybersecurity 22
Atlas 14 22
Special Flood Type Risks 23
Continuing Compliance with Certain Covenants 23
Bond Insurance Risk Factors 23
THE BONDS 24
General 24
Book-Entry-Only System 24
Replacement of Paying Agent/Registrar 26
Registration, Transfer and Exchange 26
Redemption Provisions 26
Mutilated, Lost, Stolen or Destroyed Bonds 26
Record Date for Interest Payment 27
Short Term Debt 27
Authority for Issuance 27
Source of Payment 27
Payment Record 28
Contract Payments by the Participants 28
Unconditional Obligation to Pay 28
Funds 29
Issuance of Additional Debt 29
Consolidation 29
Defeasance 29
Legal Investment and Eligibility to Secure Public Funds in Texas 30
No Arbitrage 30
Registered Owners' Remedies 30
USE AND DISTRIBUTION OF BOND PROCEEDS 32
THE PARTICIPANTS 33
Creation, Authority, and Description 33
Authorized Bonds and Debt Service Tax 33
Operations 33
Contract Taxes 33
Maintenance and Operations Tax 34
Consolidation 34
Management 34
Financial Data 34
THE MASTER DISTRICT 34
General 34
Location 34
Investment Authority and Investment Practices of the District 34
Management of the Master District 35
AGREEMENTS WITH MONTGOMERY COUNTY 35
Reimbursement Agreement with the County 35
MASTER DISTRICT FACILITIES 36
The Master District Contract 36
The Operations and Maintenance Contract 36
Description of the System 37
THE DEVELOPER AND PRINCIPAL LANDOWNERS WITHIN THE SERVICE AREA 38
The Role of a Developer 38
Description of the Developer and Principal Landowners 38
Development Financing 39
Lot Sales Contracts 39
DEVELOPMENT WITHIN THE SERVICE AREA 40
General 40
Status of Development within MUD 153 40
Homebuilders within the Participant 40
TWO STEP FARM 40
General 40
PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA 41
MASTER DISTRICT FINANCIAL DATA 42
Master District Debt Service Funds Available as of the Issuance of the Bonds 42
Tax Rates of the Participants 43
Estimated Direct and Overlapping Debt Statement 43
Debt Ratios 43
TAX DATA 43
Contract Tax 43
Debt Service Tax 44
Maintenance and Operations Tax 44
Tax Rate Limitation of Participants 44
Analysis of Tax Base 44
Principal Taxpayers 45
Tax Rate Calculations 45
Estimated Overlapping Taxes 46
TAXING PROCEDURES 46
Authority to Levy Taxes 46
Property Tax Code and County-wide Appraisal District 46
Property Subject to Taxation by the Participant 46
Tax Abatement 48
Valuation of Property for Taxation 48
Participant and Taxpayer Remedies 49
Levy and Collection of Taxes 49
Tax Payment Installments After Disaster 50
Rollback of Maintenance and Operations Tax Rate 50
Participant's Rights in the Event of Tax Delinquencies 51
LEGAL MATTERS 51
Legal Opinions 51
No-Litigation Certificate 52
No Material Adverse Change 52
TAX MATTERS 52
Opinion of Bond Counsel 52
Alternative Minimum Tax 52
Other Tax Matters 53
Original Issue Discount 53
Bond Premium 53
Not Qualified Tax-Exempt Obligations 53
CONTINUING DISCLOSURE 54
Annual Reports 54
Event Notices 54
Availability of Information from EMMA 55
Limitations and Amendments 55
Compliance with Prior Undertakings 55
OFFICIAL STATEMENT 55
General 55
Experts 56
Certification as to Official Statement 56
Updating of Official Statement 56
CONCLUDING STATEMENT 56

APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT

APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANT AND MASTER DISTRICT

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover at a price of _____% of par, resulting in a net effective interest rate to the District _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Delivery (herein defined) of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer or similar person or organization acting in the capacity of underwriter or wholesaler. Other than described in the Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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 assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should 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.

MUNICIPAL BOND INSURANCE

The District has made an application to Assured Guaranty Inc. and Build America Mutual Assurance Company for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, will be at the option and expense of the Initial Purchaser.

RATING

The District has not made an application for an underlying rating on the Bonds. It is not expected that the District would have been successful in receiving an investment grade rating on the Bonds.

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere herein. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

Description..... The $14,700,000 Montgomery County Municipal Utility District No. 123 Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2026 (the "Bonds") are dated November 1, 2026, and mature on November 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about November 12, 2026) ("Date of Delivery") at the rates per annum set forth on the inside cover and is payable on May 1, 2027, and each November 1 and May 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one (1) maturity. See "THE BONDS – General."

Redemption Provisions..... The Bonds maturing on and after November 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the Master District, beginning on November 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."

Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Source of Payment..... Principal of and interest on the Bonds are payable from and secured by contract payments (the "Contract Payments") required to be paid to the Master District from the municipal utility districts within the Service Area (herein defined) that (i) have approved the Master District Contract (herein defined) after approval of such contract by the district's voters at an election called for such purpose, and (ii) are receiving services from the Master District (the "Participants"). Such Contract Payments are payable from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant (currently only Montgomery County Municipal Utility District No. 153, or "MUD 153") or from other revenues available to such Participant. The Master District will establish a debt service fund to pay the principal of and interest on the Contract Revenue System Bonds (herein defined), such as the Bonds, and the Contract Revenue Park Bonds (herein defined) (the "Contract Revenue System Debt Service Fund"). The Master District will establish a debt service fund to pay the principal of and interest on the Contract Revenue Road Bonds (herein defined) to be issued by the Master

District in the future (the "Contract Revenue Road Debt Service Fund"). The payment of Contract Payments by 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 (the "Master District Contract"), which currently has only been entered into between the Master District and MUD 153. By execution of the Master District Contract, each Participant has agreed or will agree to pay a pro rata share of the debt service on the Contract Revenue Bonds (herein defined), including the Bonds, which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries (the "Contract Tax"), or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Master District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish its respective coverage in the Master District debt service fund.

MUD 153 is currently the only Participant; therefore, MUD 153 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District from the proceeds of MUD 153's Contract Tax, until such time as there are additional Participants within the Service Area, if ever.

The Bonds are special obligations of the Master District and are not obligations of the State of Texas; Montgomery County, Texas; the Participant; or any entity other than the District. See "THE BONDS – Source of Payment," "THE BONDS – Unconditional Obligation to Pay," and "THE PARTICIPANTS – Contract Taxes."

Contract Revenue Bonds..... The Master District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities"), and the Master District is expected to issue, in the future, additional contract revenue bonds for the Master District System Facilities. The Master District is additionally expected to issue bonds for the purpose of constructing or acquiring a regional road system to serve the Service Area (the "Master District Road Facilities"). The Master District System Facilities and Master District Road Facilities are collectively referred to as the "Master District Facilities." The Bonds and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District System Facilities are referred to herein as the "Contract Revenue System Bonds," and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District Road Facilities are referred to herein as "Contract Revenue Road Bonds." The Contract Revenue System

Bonds and Contract Revenue Road Bonds are collectively referred to as the "Contract Revenue Bonds." See "INVESTMENT CONSIDERATIONS – General," "MASTER DISTRICT FINANCIAL DATA – Tax Rates of the Participants," and "THE BONDS – Authority for Issuance."

Authority for Issuance..... The Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the bond resolution (the "Bond Resolution") adopted by the Board of Directors of the Master District (the "Board") on the date of sale of the Bonds, Chapter 8206 of the Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas. See "THE BONDS – Authority for Issuance," "THE BONDS – Issuance of Additional Debt," "MASTER DISTRICT CONTRACT," and "RISK FACTORS – Future Debt."

Payment Record..... The Bonds constitute the District's first issuance of bonded indebtedness. See "THE BONDS – Source of Payment."

Short Term Debt ..... The Master District issued its $9,56,000 Bond Anticipation Note, Series 2026 (the "BAN"), dated April 22, 2026. The BAN matures on April 21, 2027, and accrues interest at a rate of 4.03% per annum, calculated on the basis of actual days elapsed and a 365-day year. The Master District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Bond Proceeds."

Use and Distribution of Bond Proceeds ..... Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for costs associated with the construction of the Master District System Facilities shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to pay: developer interest; eighteen (18) months of capitalized interest; BAN Interest, operating costs, and other certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Municipal Bond Insurance ..... The District has made an application to Assured Guaranty Inc. and Build America Mutual Assurance Company for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, will be at the option and expense of the Initial Purchaser. See "MUNICIPAL BOND INSURANCE."

Rating..... The District has not made an application for an underlying rating on the Bonds. It is not expected that the District would have been successful in receiving an investment grade rating on the Bonds. See "RATING."

Not Qualified Tax-Exempt Obligations ..... The District will NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

General & Bond Counsel..... The Muller Law Group, PLLC, Sugar Land, Texas.

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

Financial Advisor..... Cedar Creek Municipal Advisors, LLC, Houston, Texas.

Engineer ..... Quiddity Engineering, LLC, The Woodlands, Texas

Paying Agent/Registrar..... BOKF, NA, Dallas, Texas.

THE MASTER DISTRICT

Description.....Montgomery County Municipal Utility District No. 123 (the "District" or the "Master District") is a political subdivision of Texas, created by special act of the legislature, Senate Bill 1966, 80th Regular Texas Legislature, codified as Chapter 8206, Special District Local Laws Code, effective May 17, 2007 (the "Act"). The District operates pursuant to the Act; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution. The Service Area (herein defined) is located outside the extraterritorial jurisdiction ("ETJ") of the City of Conroe, Texas, and wholly within Montgomery County ("County"). The District is located approximately 46.40 miles northwest of the central business district of the City of Houston, Texas. The District is located north of Farm-to-Market Road 1488. Superior Road and Honea Egypt Road serve as the primary access points in the District. See "THE MASTER DISTRICT – General" and "– Location."

The District was created encompassing approximately 971.06 acres. On May 26, 2009, and June 29, 2010, approximately 65.77 acres and approximately 20.62 acres were annexed into the District, respectively. Approximately 28.39 acres were excluded on March 22, 2023. On January 31, 2024, the District divided into two municipal utility districts: the Master District and Montgomery County Municipal Utility District No. 123B ("MUD 123B"). On January 31, 2024, approximately 0.50 acres were annexed into the District. Approximately 24.07 acres were excluded on March 20, 2024. Currently the Master District is approximately 35.05 acres. No taxable improvements will be constructed in the Master District. See "THE PARTICIPANTS – Contract Taxes."

Service Area.....The Master District serves as the provider or financer of regional water, wastewater, drainage, road facilities, and park facilities (the "Master District Facilities") to the approximate 2,882-acre service area (the "Service Area") comprised of the Master District, MUD 123B, MUD 153, Municipal Utility District No. 153B ("MUD 153B"), and Municipal Utility District No. 153C ("MUD 153C"). The Service Area is generally bounded on the north by Farm-to-Market Road 1488, as more particularly described in the Master District Contract. The Service Area is primarily being developed by Jen Texas 35 (herein defined) as the master-planned community of Two Step Farm. As the only district in the Service Area to (i) have approved the Master District Contract; after approval of such contract by the district's voters at an election called for such purpose, and (ii) be receiving services from the Master District, MUD 153 is currently the only Participant. MUD 123B, MUD 153B, and MUD 153C have not approved the Master District Contract and are not currently receiving services from the Master District; therefor, they are not currently considered Participants, though they may become Participants in the future.

The Master District is not developing taxable value within its boundaries and is not receiving services as a Participant, and the Master District is not intended to become a Participant in the future.

The Master District System Facilities to be financed by the Bonds are for the benefit of the Service Area. The Participants shall be required by the Master District Contract to make Contract Payments for payment of the debt service on the Bonds.

As the only Participant currently within the Service Area, MUD 153 is currently the only Participant for purposes of making Contract Payments to the Master District for payment of the Bonds. If other municipal utility districts become active within the Service Area, and their voters approve the Master District Contract, such district would then become a Participant pursuant to the Master District Contract and be required to pay their respective pro-rata shares of debt service payments on the Bonds and any additional Contract Revenue Bonds through the payment of their respective Contract Payments.

The Master District Contract provides that the Service Area may not be modified to decrease in size unless approved by the Master District and all Participants within the Service Area, and, if the Master District has issued Contract Revenue Bonds, the approval of the bondholders is required pursuant to the terms of the Master District's Bonds. The Service Area may not be enlarged without the consent of at least two-thirds of the boards of directors of the districts that are: (A) included in the Service Area as proposed to be enlarged; or (B) served by the Master District Facilities or services provided in the Master District Contract.

Developer and Principal Landowners Within the Service Area..... Jen Texas 35 LLC, a Texas limited liability company, ("Jen Texas 35" or the "Developer") and the Pod Developers (defined herein) own and are developing the property comprising Phase 1 of Two Step Farm. The Developer expects to continue constructing infrastructure and developing finished lots for sale to homebuilders. JEN 8 VA 2 LLC, a Delaware limited liability company (the "JEN 8"), is the sole member and owner of the Developer. JEN 8 is a subsidiary of a commingled institutional real estate private equity fund whose general partner is JEN 8 GP LLC, a Delaware limited liability company ("Jen 8 GP"), which is a wholly owned subsidiary of JEN Partners, LLC, a Delaware limited liability company ("JEN Partners"). An affiliate of JEN Partners has retained Oxland Group, LLC, a Texas limited liability company ("Oxland"), to serve as operating partner and development consultant for JEN Partners' Texas portfolio, including Two Step Farm.

The Developer has sold certain sections within MUD 153 to other development entities as described herein to develop the internal water, wastewater, and drainage facilities within those sections. DSLD (defined herein), Pulte (defined herein), and Coventry (defined herein) may be referred to herein as "POD Developers." The Developer has retained all reimbursement rights for the Master District Facilities and the internal facilities of the Service Area.

Approximately 32.93 acres within MUD 153 have been developed as Two Step Farm, Section 6 by DFH Coventry LLC, a Florida limited liability company ("Coventry"). All horizontal infrastructure to serve Two Step Farm, Section 6 is now complete.

DSLD Homes (Southwest), LLC, a Delaware limited liability company ("DSLD") developed approximately 39.87 acres within MUD 153 as Two Step Farm, Section 5. All horizontal infrastructure to serve Two Step Farm, Section 5 is now complete.

Approximately 59.20 acres within MUD 153 have been developed as Two Step Farm, Sections 2 and 9 by Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"). All horizontal infrastructure to serve Two Step Farm, Sections 2 and 9 is now complete. See "THE DEVELOPER AND PRINCIPAL LANDOWNERS – Description of the Developer and Principal Landowners" and "DEVELOPMENT WITHIN THE SERVICE AREA."

Development within the Service Area ..... To date, development within the Service Area has only occurred within the boundaries of MUD 153. Within MUD 153, approximately 164.98 acres (1,017 lots) have been developed into the single-family residential subdivision of Two Step Farm, Sections 1-9. As of September 8, 2026, 208 homes were complete (105 occupied, 83 unoccupied, and 20 models), 114 homes were under construction, and 695 lots were developed and vacant. The remaining land within MUD 153 consists of approximately 84.79 acres under development (1,166 lots), approximately 101.85 remaining developable acres, and approximately 709.47 undevelopable acres. The remaining land within the Service Area consists of approximately 1,922.76 undeveloped acres. See "DEVELOPMENT WITHIN THE SERVICE AREA."

Homebuilders Active within the Service Area ..... Homebuilders active within the Service Area include: Coventry Homes, Highland Homes, Perry Homes, Partners in Building, Stephen F. Austin d.b.a Autograph Homes, DSLD Homes, Pulte Homes, Drees Custom Homes, and David Weekley Homes. The homes being marketed in the Service Area range in price from approximately $300,000 to over $2,000,000. See "DEVELOPMENT WITHIN THE SERVICE AREA – Homebuilders Within the Participant."

Master District Facilities ..... The Master District, in its capacity as the provider of the Master District Facilities, will construct or finance the construction of the Master District Facilities for the benefit of the Service Area. The Master District will continue to own and operate the Master District Facilities, with the exception of the roads, which have been or will be conveyed to the County. See "RISK FACTORS – Maximum Impact on Contract Tax Rate" and "MASTER DISTRICT FACILITIES."

THE MASTER DISTRICT CONTRACT

Participants..... The Participants (currently only MUD 153) have entered into or are anticipated to enter into the Master District Contract with the Master District. Each Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, to provide water, wastewater, drainage, and road facilities to serve the area within their boundaries. See "THE PARTICIPANTS."

Operational Revenues ..... The Master District provides retail water and sewer services to the customers within the Participants. In addition to the obligation to pay its Contract Payments under the Master District Contract, the Participants are obligated to pay monthly charges to the Master District for the operation and maintenance expenses associated with providing such services. See "RISK FACTORS - Operating Funds" and "- Operational Expenses" and "MASTER DISTRICT FACILITIES - The Master District Contract."

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION HEREIN ENTITLED "RISK FACTORS."

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

Contract Revenue Bonds of the Master District

2026 Gross Assessed Valuation of the Participants (100% of the taxable value as of January 1, 2026)	$ 135,095,101	(a)
Estimated Gross Assessed Valuation of the Participants as of August 15, 2026 (100% of the estimated taxable value as of August 15, 2026)	$ 222,314,801	(b)
Direct Debt:		
The Bonds	$ 14,700,000	
Total	$ 14,700,000	
Estimated Overlapping Debt	$ 1,357,254	(c)
Total Direct and Estimated Overlapping Debt	$ 16,057,254	
Direct Debt Ratios:		
Based on the 2026 Gross Assessed Valuation of the Participants	10.88 %	
Based on the Estimated Gross Assessed Valuation of the Participants as of August 15, 2026	6.61 %	
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2026 Gross Assessed Valuation of the Participants	11.89 %	
Based on the Estimated Gross Assessed Valuation of the Participants as of August 15, 2026	7.22 %	

Master District Debt Service Funds Available as of the Issuance of the Bonds

Contract Revenue System Debt Service Fund Balance (as of the Date of Delivery)	$ 1,157,625	(d)(f)
Operating Fund Balance (as of September 8, 2026)	$ 289,947	(e)

(a) Represents the gross assessed valuation of all taxable property located within the Participant as of January 1, 2026, as provided by the Montgomery Central Appraisal District ("the Appraisal District"). This amount includes $803,090 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified. The Participant's tax roll is certified by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within all Participants as of August 15, 2026, and includes the gross estimate of values resulting from the construction of taxable improvements from January 1, 2026, through August 15, 2026. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "MASTER DISTRICT FINANCIAL DATA" – Estimated Direct and Overlapping Debt Statement."

(d) Represents eighteen (18) months of capitalized interest to be deposited into the Contract Revenue System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Contract Revenue System Debt Service Fund (herein defined). The funds in the Contract Revenue System Debt Service Fund are pledged only to pay debt service on the Bonds or any additional Contract Revenue System Bonds (defined herein) the District may hereafter issue.

(e) See "RISK FACTORS – Operating Funds."

(f) Each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued for the purposes of acquiring or constructing the Master District Facilities (defined herein) by the dates specified by the Master District. MUD 153 is the only Participant and is therefore liable for 100% of the debt service requirements of the Bonds. See "THE BONDS – Contract Payments by the Participants".

Debt Service Requirements on the Bonds

Estimated Average Annual Debt Service Requirement on the Bonds (2027–2051)	$ 1,131,285	(a)
Estimated Maximum Annual Debt Service Requirement on the Bonds (2031)	$ 1,146,288	(a)
Contract Tax Rate per $100 of Assessed Valuation Required to Pay the Estimated Average Annual Debt Service Requirement on the Bonds (2027–2051) at 95% Tax Collections:		
Based on the 2026 Gross Assessed Valuation of the Participants	$ 0.89	
Based on the Estimated Gross Assessed Valuation of the Participants as of August 15, 2026 ($222,314,801)	$ 0.54	
Contract Tax Rate per $100 of Assessed Valuation Required to Pay the Estimated Maximum Annual Debt Service Requirement on the Bonds (2031) at 95% Tax Collections:		
Based on the 2026 Gross Assessed Valuation of the Participants	$ 0.90	
Based on the Estimated Gross Assessed Valuation of the Participants as of August 15, 2026 ($222,314,801)	$ 0.55	

(a) Debt service on the Bonds is estimated at an interest rate of 5.75%. See "SELECTED FINANCIAL INFORMATION – Estimated Debt Service Requirement Schedule."

Status of Development as of September 8, 2026

District	Total Acreage	Completed Lots	Occupied Completed Homes	Unoccupied Completed Homes	Homes Under Construction	Vacant Developed Lots	Lots Under Development
Master District	35.05 (a)	–	–	–	–	–	–
MUD 153 (b)	1,061.09	1,017	105	103 (c)	114	695	1,166
Total	1,096.14	1,017	105	103	114	695	1,166

Estimated Population of the Service Area: 368 (d)

(a) The Master District is not developing taxable value within its boundaries.
(b) See "DEVELOPMENT WITHIN THE SERVICE AREA."
(c) Includes 20 model homes.
(d) Based upon 3.5 average residents per occupied completed home.

Tax Rates of the Participants

Participant	2026 Road Debt Service Tax Rate	2026 Utility Debt Service Tax Rate	2026 Maintenance Tax Rate	2026 Contract Tax Rate	Total 2026 Tax Rate
MUD 153	$ 0.000	$ 0.000	$ 1.450	$ 0.000	$ 1.450

Estimated Debt Service Requirement Schedule

The following schedule sets forth the principal and estimated interest requirements for the Bonds, assuming the Bonds are issued at an interest rate of 5.75%. Totals may not sum due to rounding.

Year Ending 12/31	The Bonds		
	Principal	Interest	Total Debt Service
2027	$ -	$ 819,423	$ 819,423
2028	300,000	845,250	1,145,250
2029	315,000	828,000	1,143,000
2030	335,000	809,888	1,144,888
2031	355,000	790,625	1,145,625
2032	375,000	770,213	1,145,213
2033	395,000	748,650	1,143,650
2034	420,000	725,938	1,145,938
2035	440,000	701,788	1,141,788
2036	465,000	676,488	1,141,488
2037	495,000	649,750	1,144,750
2038	525,000	621,288	1,146,288
2039	555,000	591,100	1,146,100
2040	585,000	559,188	1,144,188
2041	620,000	525,550	1,145,550
2042	655,000	489,900	1,144,900
2043	690,000	452,238	1,142,238
2044	730,000	412,563	1,142,563
2045	775,000	370,588	1,145,588
2046	820,000	326,025	1,146,025
2047	865,000	278,875	1,143,875
2048	915,000	229,138	1,144,138
2049	965,000	176,525	1,141,525
2050	1,025,000	121,038	1,146,038
2051	1,080,000	62,100	1,142,100
	$ 14,700,000	$ 13,582,123	$ 28,282,123

Estimated Average Annual Requirement on the Bonds (2027–2051)..... $1,131,285

Estimated Maximum Annual Requirement on the Bonds (2038) $1,146,288

PRELIMINARY OFFICIAL STATEMENT

relating to

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
(A political subdivision of the State of Texas, located within Montgomery County)

$14,700,000

Contract Revenue Bonds
(Water, Sewer, and Drainage Facilities),
Series 2026

INTRODUCTION

This Preliminary Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 123 (the "District" or the "Master District") of the $14,700,000 Montgomery County Municipal Utility District No. 123 Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2026 (the "Bonds").

The Bonds are issued by the Master District pursuant to the Master District Contract (defined herein); the terms and conditions of the bond resolution (the "Bond Resolution") adopted by the Board of Directors of the Master District (the "Board") on the date of sale of the Bonds; Chapter 8206 of the Texas Special District Local Laws Code; Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52, of the Texas Constitution; an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

Unless otherwise indicated, capitalized terms used herein have the same meaning assigned to such terms in the Bond Resolution.

Included herein are descriptions, among others, of the Bonds, the Bond Resolution, and certain other information about the Participants (herein defined), the Master District, the approximately 2,882-acre service area (the "Service Area") to be provided with the Master District Facilities (herein defined), the Developer (herein defined) and the Contract for Construction, Financing, Operation and Maintenance of Regional Facilities entered into by the Participant and the Master District (the "Master District Contract"), as supplemented by the Contract for the Operation and Maintenance of Regional Facilities ("Operation and Maintenance Contract"). ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing and handling charges.

RISK FACTORS

General

The Master District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities"). The Master District Contract defines the "Service Area" as the approximate 2,882 acres consisting of the Master District, Montgomery County Municipal Utility District No. 153 ("MUD 153"), and Montgomery County Municipal Utility District No. 123B ("MUD 123B"), Montgomery County Municipal Utility District No. 153B ("MUD 153B"), and Montgomery County Municipal Utility No. 153C ("MUD 153C") all as more particularly described in the Master District Contract. The Service Area is being primarily developed by Jen Texas 35 (herein defined) as the master-planned community of Two Step Farm, and is generally bounded on the north by Farm-to-Market Road 1488, as more particularly described in the Master District Contract. MUD 153 is currently the only district within the Service Area that (i) has approved the Master District Contract (defined herein), after approval of such contract by MUD 153's voters at an election called for such purpose, and (ii) is receiving services from the Master District. As such, MUD 153 is currently the only "Participant," pursuant to the Master District Contract. MUD 123B , MUD 153B, and MUD 153C (i) have not approved the Master District Contract and (ii) are not currently receiving services from the Master District; therefore, they are not currently considered Participants, though they may become Participants in the future. The Master District is not developing taxable value within its boundaries and is not receiving services as Participant, and the Master District is not intended to become a Participant in the future.

The Bonds are special obligations of the Master District and are not obligations of Texas; Montgomery County, Texas (the "County"); the Participants (hereinafter defined); or any entity other than the Master District, and are payable solely from the revenues pledged thereto. Contract Revenue Bonds issued by the Master District for the purpose of constructing or acquiring the Master District System Facilities, including the Bonds, are payable solely from and to the extent of certain Contract Payments received by the Master District from the Participants pursuant to the Master District Contract, with each participant's annual Contract Payments being equal to its pro rata share of annual debt service on the Master District's Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolution, based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant (the "Gross Certified Assessed Valuation") of each such Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the "Contract Payments"). Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. **The obligations of the Participants to make Contract Payments are several, not joint, obligations prorated among the Participants based upon the proportions of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all Participants, as described herein**. No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant's payment is delinquent as the Master District may include a reserve amount in the Contract Payment due from each Participant. 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 taxable property within its boundaries sufficient to make its Contract Payments. The collection by each Participant of delinquent taxes owed to it may be a costly and lengthy process. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy" and "THE BONDS – Source of Payment."

Currently, as the only Participant, MUD 153 is responsible for paying 100% of the debt service on the Bonds through its Contract Payments to the Master District from the proceeds of its Contract Tax.

Economic Factors and Interest Rates

The rate of development of the Service Area is directly related to the vitality of the residential and commercial industry in the Houston area. New residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of residential construction activity would restrict the growth of property values within the Service Area. The Master District and Participant cannot predict the pace or magnitude of any future development within the Service Area. See "DEVELOPMENT WITHIN THE SERVICE AREA."

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for developmental 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, the Master District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 46.4 miles northwest of downtown Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans within the Service Area and restrain the growth of the Service Area's property tax base.

Undeveloped Acreage and Vacant Lots

To date, there are approximately 101.85 undeveloped but developable acres and 695 vacant developed lots in MUD 153. There is approximately 1,922.76 undeveloped but developable acres within the Service Area that have not been provided with water, wastewater, drainage, road, and other facilities necessary for the construction of taxable improvement. In addition, there are 695 vacant developed lots within the Service Area. The Master District makes no representation as to when or if development of the undeveloped but developable

acreage will occur or that the lot sales and building program will be successful. See "DEVELOPMENT WITHIN THE SERVICE AREA."

Dependence on Major Taxpayers and the Developer

The top 10 principal taxpayers within the Participant represent $100,380,989, or approximately 74.75%, of the 2026 Gross Certified Assessed Valuation of the Participant. Jen Texas 35 LLC, a Texas limited liability company ("Jen Texas 35" or the "Developer"), represents $9,361,879, or approximately 6.97% of such value. See "TAX DATA – Principal Taxpayers." If Jen Texas 35, any principal taxpayer or a combination of taxpayers were to default in the payment of taxes in an amount which exceeds the amount in the debt service fund created to pay debt service on bonds issued for the Master District System Facilities including the Bonds (the "Contract Revenue System Debt Service Fund"), the ability of the Master District to make timely payment of debt service on the Bonds would be dependent on the ability of the Participant to enforce and liquidate their tax liens, which is a time consuming process. Failure to recover or borrow funds in a timely fashion could result in an Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Master District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Contract Revenue System Debt Service Fund. See "RISK FACTORS – Tax Collection Limitations," "TAXING PROCEDURES – Levy and Collection of Taxes," and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT."

Neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Master District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The Master District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See "THE DEVELOPER AND PRINCIPAL LANDOWNERS WITHIN THE SERVICE AREA."

Operating Funds

The Master District shall operate the sanitary sewage collection system, storm sewer system, water delivery system, the water supply system, and the waste disposal system ("Master District Facilities") to serve the Service Area. The Master District will provide water and sewer services directly to all customers within the Participants' boundaries according to a rate order approved by the Master District applicable to all customers within the Service Area. The Master District shall read all customer meters within the boundaries of the Participants on a monthly basis and shall invoice such customers monthly in accordance with the Master District's rate order. The Master District shall retain all water and sewer revenue received to fund its operation and maintenance expenses. See "Operational Expenses" below. The Master District's general fund balance as of September 8, 2026, was $20,118.33. To the extent the water and sewer revenue is not sufficient to pay for the Master District's operation and maintenance expenses, each Participant will pay its pro-rata share of the operation and maintenance expenses to cover any projected or actual shortfall in the Master District's operating budget. As the only Participant under the Master District Contract and the Operation and Maintenance Contract, MUD 153 will pay one hundred percent of any such shortfall. Continued maintenance of positive general fund balance may also depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts water and wastewater service revenue.

Increase in Costs of Building Materials and Labor Shortages

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 Participant 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 Participant. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The 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 developers or homebuilders.

Operational Expenses

The water and sewer revenue collected by the Master District from customers within the boundaries of the Participants will be used for the operation and maintenance expenses of the Master District. Under the Operations and Maintenance Contract, the Master District and the Participants agree that gross operating revenue received by the Master District, after accounting for operating funds on hand and projected water and sewer revenue, will at all times be not less than an amount sufficient for the payment of all operation and maintenance expense of the Master District and an operation and maintenance reserve ("O&M Reserve") equal to twenty-five percent (25%) of the Master District's general fund budget for the then-current fiscal year. The Master District is entitled to establish and fund a reasonable reserve of up to one hundred percent (100%) of the Mater District's general fund budget, determined at the discretion of the Master District, for maintenance of Master District Facilities and provision of water and sewer services. The Master District may use monies from the O&M Reserve for any operation and maintenance expenses and extraordinary expenses and repairs including costs requirement to comply with regulatory requirements. If the Master District expends more than two-thirds (2/3) of the O&M Reserve in any one fiscal year, the Master District may replenish the O&M Reserve in one of the following manners at its sole discretion: i) include the O&M Reserve requirements for such replenishment in the next annual budget, or (ii) make a cash call to the Participant for its pro-rata share of the O&M Reserve shortfall.

No Reserve Fund

The Bonds will be issued pursuant to the Bond Resolution wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolution creates the Contract Revenue System Debt Service Fund but does not create designated reserve funds. See "THE BONDS – Funds." Each Participant's pro rata share of the Contract Payments is calculated by the Master District. The Master District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Master District, up to 50% of the following year's annual debt service requirements to establish a replenishment amount in the debt service fund, which when paid by the Participants, will be deposited into the debt service fund. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolution would have to be brought by the Registered Owners themselves against the Master District, and such an action would not necessarily operate to enforce rights against other Participants. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

Potential Impact of Natural Disaster

The Service Area could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the Service Area, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the Service Area or an increase in the Service Area's tax rates. See "TAXING PROCEDURES – Reappraisal of Property after Disaster."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the Service Area that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District or Service Area will not sustain damage from such natural disasters.

Overlapping Debt and Tax Rates

The Master District and MUD 153 may each independently issue additional debt which may change the projected and actual tax rates in the future.

Landowners are or will be responsible for the payment of ad valorem taxes levied by each Participant for payment of Contract Payments. In addition, owners of property located within the Participant are responsible for the payment of ad valorem taxes levied by each Participant for the payment of debt service on unlimited tax bonds issued by each Participant and ad valorem taxes levied by each Participant for the purpose of paying the

Participant's operation and maintenance costs. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT" for information related to each Participant's indebtedness and taxation requirements.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. See "RISK FACTORS – Debt Burden on Property Within the Service Area" and "TAX DATA – Estimated Overlapping Taxes."

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2026 Gross Certified Assessed Valuation of the Participants is $135,095,101, and the estimated gross assessed valuation of the Participants as of August 15, 2026, is $222,314,801. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be $1,146,288 (2038) and the average annual debt service requirement on the Bonds will be $1,131,285 (2027-2051). Assuming no increase or decrease from the 2026 Gross Certified Assessed Valuation, a Contract Tax rate of $0.90 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds and a Contract Tax rate of $0.89 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Bonds. Assuming no increase or decrease from the estimated gross assessed valuation of the Participants as of August 15, 2026, a Contract Tax rate of $0.55 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds and a Contract Tax rate of $0.54 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Bonds. See "SELECTED FINANCIAL INFORMATION – Estimated Debt Service Requirement Schedule," "SELECTED FINANCIAL INFORMATION – Contract Revenue Bonds of the Master District," and "TAX DATA – Tax Rate Calculations."

While the Master District makes no representation regarding the likelihood of adverse economic conditions requiring the levy of a higher tax rate, it is expected that the combined tax rate of a Participant (including any Contract Tax), but excluding other taxing entities, will not exceed $1.450 per $100 of assessed valuation. See "TAX DATA." See "MASTER DISTRICT FINANCIAL DATA," "TAX DATA," and "TAXING PROCEDURES."

Competition

The demand for and construction of taxable improvements in the Participants could be affected by competition from other developments near the Participants. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the Participants.

The competitive positions of the Developer and the current developers in the Service Area, in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such competitive positions directly affect the growth and maintenance of taxable values within the Service Area. The Master District can give no assurance that building and marketing programs within the Service Area by the Developers or any future developers will be implemented or, if implemented, will be successful.

Debt Burden on Property Within the Service Area

The total tax rate paid by property owners within the Service Area is a major factor in the demand for single-family homes within the Service Area. The Master District Contract requires that the Participants make Contract Payments from the Contract Tax or other lawfully available funds. In addition, other contract tax payments are required of the Participants by the Master District Contract. See "MASTER DISTRICT CONTRACT." Furthermore, each Participant will be required to levy taxes on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, road, and park and recreational facilities within the Participant's boundaries. Each Participant will also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2026 tax year, MUD 153, the only currently active Participant, levied a maintenance and operations tax rate of $1.45 per $100 of assessed valuation.

The tax rate that may be required to service debt on any bonds issued by the Master District or a Participant is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the

bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Service Area will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the Participants are within the taxing jurisdiction of other taxing entities, including the County and Montgomery Independent School District. Each of these entities currently levies various taxes on property within the boundaries of the Participants in addition to the other taxes listed above.

While the Master District makes no representation regarding the likelihood of adverse economic conditions requiring the levy of a higher tax rate, it is expected that the combined tax rate of a Participant (including any Contract Tax), but excluding other taxing entities, will not exceed $1.50 per $100 of assessed valuation. See "TAX DATA."

Tax Collection Limitations

The Master District's ability to make debt service payments may be adversely affected by each Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of such 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 foreclosure. A 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, (c) market conditions affecting the marketability of taxable property within the Participant's boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential property and all other property after the purchaser's deed issued at the foreclosure is filed in the county records. While the Participant has a lien on taxable property within the Participant's boundaries for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Participant's boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – Participant's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – No Reserve Fund."

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners" and each a "Registered Owner") have a right to seek a writ of mandamus requiring the Master District to perform the covenants and obligations of the Bond Resolution. Except for the mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce such interests of the Registered Owners. There is no provision for 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. Although the Registered Owners could obtain a judgment against the Master District, such a judgment could not be enforced by a direct levy and execution against the Master District's property. Further, the Registered Owners themselves cannot foreclose on property within the Service Area or sell property within the Service Area in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Master District and Participants. In this regard, should the Master District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus would be

automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Marketability

The Master District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

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. The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds. Any future Contract Revenue Bonds will be on a parity with the Bonds. The Master District is expected to 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 is currently required for the issuance of Contract Revenue Road Bonds to fund road projects. See "RISK FACTORS – Maximum Impact on Contract Tax Rate" and "THE BONDS – Issuance of Additional Debt."

The Bonds and all additional Contract Revenue Bonds issued by the Master District, will be payable from the Contract Tax levied by the Participants, only MUD 153. The Master District Contract does not impose limitations on the amount of Contract Revenue Bonds the Master District may issue.

The Participant has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

As of September 8, 2026, the Master District owes the Developer approximately $11,400,398 for expenditures to construct the Master District Facilities. If additional Contract Revenue Bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston

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

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

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

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

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

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

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

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

quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The 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.

On May 25, 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 legislation 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.

Approval of the Bonds

The Attorney General of the State of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of the State of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained herein.

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.

Cybersecurity

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

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 Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Special Flood Type Risks

The District may be subject to the following flood risks:

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

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

Continuing Compliance with Certain Covenants

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be available for purchase with the Bonds. If an insurance policy is available for purchase with the Bonds, and purchased, the following are risk factors relating to bond insurance.

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

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

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

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

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

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

THE BONDS

General

The Bonds are dated November 1, 2026, and mature on November 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the Date of Delivery (on or about November 12, 2026) at the rates per annum set forth on the inside cover and is payable on May 1, 2027, and each November 1 and May 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The Master District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Master District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner discussed herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct and Indirect Participants are on file with DTC.

DTC 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 required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase of each Bond (the "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-Only System is discontinued.

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

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

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 Issue 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).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Master District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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, Paying Agent/Registrar or the Master District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Master District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the Master District believes to be reliable, but the Master District takes no responsibility for the accuracy thereof.

Replacement of Paying Agent/Registrar

Provisions are made in the Bond Resolution for replacement of the Paying Agent/Registrar by the District. 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, a corporation 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 for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Redemption Provisions

The Bonds maturing on and after November 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on November 1, 2031, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 30 days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be 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. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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 ("Special Payment Date" 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.

Short Term Debt

The Master District issued its $9,56,000 Bond Anticipation Note, Series 2026 (the "BAN"), dated April 22, 2026. The BAN matures on April 21, 2027, and accrues interest at a rate of 4.03% per annum, calculated on the basis of actual days elapsed and a 365-day year. The Master District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Bond Proceeds."

Authority for Issuance

At an election held within the boundaries of the Master District, the voters of the Participant approved the Master District Contract. Under the Master District Contract, the Master District is to serve as the provider of the Master District System Facilities. The Master District Contract authorizes the Master District to issue Contract Revenue Bonds. See "THE BONDS - Issuance of Additional Debt." The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds.

The Bonds are issued by the Master District pursuant to the Master District Contract, the Bond Resolution adopted by the Board. Chapter 8206 of the Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, an order of the TCEQ, an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

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 to pay principal of and interest on the Bonds or upon the adequacy of the information contained in this Official Statement.

Source of Payment

The Bonds are payable solely from the Contract Payments the Participants make to the Master District for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Master District, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all Participants in the Service Area. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars 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. Each Participant is obligated to pay its pro rata share of the

Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems 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 special obligations of he Master District and are not obligations of Texas; the County; the City; the Participants; or any entity other than the Master District.

The Master District Facilities to be financed by the Bonds are for the benefit of the Service Area. Therefore, only the Participants shall be required by the Master District Contract to make Contract Payments for payment of the debt service on the Bonds. The Service Area includes the Master District, MUD 153, and MUD 123B; however, only MUD 153 has approved, along with its voters, the Master District Contract and is receiving services from the Master District. As such, MUD 153 is currently the only Participant for purposes of making Contract Payments to the Master District for the payment of the Bonds. If other municipal utility districts, including MUD 123B, within the Service Area approve, along with their voters, the Master District Contract and begin receiving services from the Master District, they would then be required to pay their respective pro-rata shares of debt service payments on the Bonds through the payment of their respective Contract Payments.

Payment Record

The Bonds constitute the District's first series of bonded indebtedness. See "THE BONDS – Source of Payment."

Contract Payments by the Participants

Principal of and interest on the Bonds are payable from and secured by each Participant's unconditional obligation to make Contract Payments. By execution of the Master District Contract, each Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all the charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds established under the Bond Resolution based upon its Gross Certified Assessed Valuation as a percentage of the total Gross Certified Assessed Valuation of all Participants. Each Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such Participant on property within its boundaries for such purpose, revenues, if any derived from the operation of its water distribution and wastewater collection systems or from any other lawful source of funds. See "Source of Payment." No Participant is liable for the payments due by any other Participant. 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 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 Paying Agent/Registrar semiannually by the dates specified by the Master District. The Master District has specified or will specify March 1 and September 1 of each year as the dates by which Contract Payments are due.

Currently, as the only Participant, MUD 153 is responsible for paying 100% of the debt service on the Bonds through its Contract Payments to the Master District from the proceeds of its 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 appropriate Participant will receive credit for its over-payments. See "THE MASTER DISTRICT."

Funds

The Contract Revenue System Debt Service Fund is established in the Bond Resolution, and the proceeds from the Contract Payments collected for and on account of the Bonds and any additional Contract Revenue Bonds shall be deposited into such fund. Eighteen (18) months of capitalized interest will be deposited into the Contract Revenue System Debt Service Fund upon delivery of the Bonds. The Bond Resolution does not provide for reserve funds. The Master District's annual calculation of the debt service requirement to be paid by the Participants shall include the sum of next year's annual debt service requirements and, at the option of the Master District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

Issuance of Additional Debt

Pursuant to the Master District Contract, the Master District is authorized to issue additional Contract Revenue Bonds for Master District Facilities. The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds to finance Master District Facilities.

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, and road facilities, with any required approval from the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Master District or such Participant was created. TCEQ approval is not currently required for the Master District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See "THE PARTICIPANTS" and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT."

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

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

notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

No Arbitrage

The District will certify, on the Date of Delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants 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.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the Master District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Master District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the Participants, or requiring the Master District to enforce the Master District Contract by requiring the Participants, to levy adequate taxes to make such payments. Except for the remedy

of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a Master District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the Master District, such a judgment could not be enforced by direct levy and execution against the property within the Service Area. Further, the Registered Owners cannot themselves foreclose on the property within the Service Area or sell property within the Service Area in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Participants. For example, a Chapter 9 bankruptcy proceeding by a Participant could delay or eliminate payment of principal or interest to the Registered Owners. See "RISK FACTORS –Registered Owners' Remedies and Bankruptcy."

Use of Certain Terms in Other Sections of Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for a portion of the improvements and related costs shown below. Additionally, proceeds from the sale of the Bonds will be used to pay: developer interest; eighteen month of capitalized interest; and other certain costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Master District Engineer (herein defined) and 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 completion of agreed-upon procedures by the Auditor (herein defined).

CONSTRUCTION COSTS	**District's Share**
A. District Items	
1. Two Step Farm Water Plant No. 1 - Phase 1	$ 7 ,249,871
2. Two Step Farm Phase I Wastewater Treatment Plant & Lift Station	1,410,958
3. Wastewater Treatment Plant and Two Step Farm Water Plant Phase I	4 26,869
4. Engineering, Testing, & SWPPP	814,745
5. Land Cost & Land Cost Interest	5 03,465
Total District Items	$ 10,405,908
TOTAL CONSTRUCTION COSTS	**$ 10,405,908**
NON-CONSTRUCTION COSTS	
A. Legal Fees	$ 312,250
B. Fiscal Agent Fees	282,250
C. Interest Costs	
1. Capitalized Interest (18 months)	1,157,625
2. Developer Interest	638,125
D. Bond Discount (3.00%)	441,000
E Operating Costs	654,857
F. Bond Application Expense	50,000
G. Bond Issuance Expenses	38,402
H. Bond Anticipation Note Issuance	219,233
I. Bond Anticipation Note Interest	454,100
J. Attorney General Fees (0.10%)	9,500
K. TCEQ Bond Issuance Fee	36,750
TOTAL NON-CONSTRUCTION COSTS	**$ 4,294,092**
TOTAL SYSTEM BOND ISSUE REQUIREMENT	**$ 14,700,000**

The Master District Engineer has advised the Master District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developer for the costs of the above described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses; however, the Master District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE PARTICIPANTS

Creation, Authority, and Description

All Participants operate as municipal utility districts pursuant to Chapter 49 and Chapter 54 of the Texas Water Code and are located within the Service Area. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, and road facilities. On January 31, 2024, the District divided into two municipal utility districts: the Master District and MUD 123B. MUD 153 was created by Senate Bill 2064, 84th Session of the Texas Legislature, Regular Session 2015 Chapter 912 (SB 2064), effective May 27, 2015, as codified in Chapter 7954 of the Texas Special District Local Laws Code ("Act"). On February 6, 2024, MUD 153B and MUD 153C were created by an Order Dividing into Four Districts, adopted by MUD 153, as authorized by the Act (the Order Dividing into Four Districts also created Montgomery County Municipal Utility District No. 153D; however, said district is not within the Service Area and is therefor not intended to ever become a Participant).

MUD 153 is currently the only Participant.

Authorized Bonds and Debt Service Tax

The Participants (currently only MUD 153) have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, and road facilities to the land within their boundaries. Such bonds are secured by a direct 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 Taxes" below.

The Master District and each of the other Participants have voted bonds for purposes of providing internal water, wastewater, drainage, and road facilities within their respective boundaries, although it is not anticipated the Master District will act as a Participant by either developing internal facilities or levying its own ad valorem tax.

See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT" for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for MUD 153 as the Participant.

Operations

Each Participant has or will construct internal water, wastewater, and drainage facilities, and may also construct internal park and recreational and road facilities, within its respective boundaries.

Contract Taxes

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 Gross Certified Assessed Valuation by the total of all the Participants' Gross Certified Assessed Valuation in the applicable Service Area, calculated annually. Calculation of Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participant's 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, from revenues derived from the operation of its water distribution and wastewater collection systems, 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 the 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.

MUD 153 is currently the only Participant; therefore, MUD 153 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District from the proceeds of MUD 153's Contract Tax until such time as there are additional Participants within the Service Area, if ever.

Maintenance and Operations Tax

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

Consolidation

The Master 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 Master District System Facilities) and liabilities (such as the Bonds), with the assets and liabilities of a district with which it is consolidating. Although no consolidation is presently contemplated by the Master District, 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 that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data

See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT" for financial information for each Participant.

THE MASTER DISTRICT

General

The District was created by Senate Bill 1966, 80th Legislative Session, Regular Session 2007, effective May 17, 2007, as codified in Chapter 8206 of the Texas Special District Local Laws Code (the "Act"). The District operates pursuant to the Act; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution. The District consists of approximately 35.05 acres.

Among other purposes, the District is authorized to purchase, construct, operate and maintain public water, wastewater, and drainage facilities, and roads.

Location

The District is located approximately 46.40 miles northwest of the central business district of the City of Houston, Texas. The District is located north of Farm-to-Market Road 1488. Superior Road and Honea Egypt Road serve as the primary access points in the District. The District is located outside the extraterritorial jurisdiction ("ETJ") of the City of Conroe, Texas, and wholly within the County.

Investment Authority and Investment Practices of the District

The District has adopted an investment policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in obligations of the United States or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

Management of the Master District

- Board of Directors –

The District is governed by a board, consisting of five (5) directors, which has control over and management and supervision of all affairs of the District. All of the Directors own property within the District. Directors serve staggered four (4) year terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Brian Bare	President	2030
Glenn Wong	Vice President	2028
Ray Aguilar	Secretary	2028
Damon Sachs	Assistant Secretary	2028
Ethan Mcadoo	Assistant Vice President	2030

- Consultants –

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Montgomery Central Appraisal District (the "Appraisal District"). The Participant's Tax Assessor/Collector is managed by Montgomery County Tax Assessor Collector.

Bookkeeper – The District contracts with Myrtle Cruz, Inc. as bookkeeper for the District.

Engineer – The District's consulting engineer is Quiddity Engineering, LLC, Woodlands, Texas (the "Engineer").

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit and MUD 153's audit prepared by McCall Gibson Swedlund Barfoot Ellis, PLLC for the fiscal year ending August 31, 2025, is included as "APPENDIX B."

Water and Wastewater Operator – Si Environmental LLC, Houston, Texas.

Financial Advisor – Cedar Creek Municipal Advisors, LLC serves as the District's financial advisor ("the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

Bond & General Counsel – The District has engaged The Muller Law Group, PLLC as bond counsel ("Bond Counsel") in connection with the issuance of the District's Bonds. The fees of Bond Counsel are based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is earned upon the sale and delivery of the Bonds. The Muller Law Group, PLLC also serves as the District's general counsel.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P., Dallas, Texas, has been designated as disclosure counsel ("Disclosure Counsel"). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

AGREEMENTS WITH MONTGOMERY COUNTY

Reimbursement Agreement with the County

The District and Montgomery County entered into an Agreement for the Financing and Construction of Road Improvements (the "County Reimbursement Agreement") to facilitate the financing and construction of approximately five miles of Kesem Boulevard, a planned east-west arterial roadway connecting Fish Creek Thoroughfare and Superior Road. The project is intended to improve regional mobility, provide reliable access during flood events, support future residential and commercial development, and enhance connectivity for surrounding communities and school districts. The estimated project cost is approximately $20.2 million and is expected to be funded through a combination of District, developer, and County participation.

Pursuant to the County Reimbursement Agreement, the County has agreed to reimburse the District for eligible road infrastructure costs, including roads and related drainage and storm sewer facilities, up to a maximum

aggregate amount of $25,000,000 (the "Reimbursement Cap"). The County is required to make annual payments to the District equal to 50% of the County's ad valorem tax rate, excluding the debt service portion of such tax rate, applied to the incremental taxable value within the defined Area of Benefit above the established base value of $691,756,402. Annual payments will continue until eligible costs have been reimbursed up to the Reimbursement Cap.

Montgomery County failed to issue the contemplated general obligation bonds for Segment 2 of the project, consisting of the portion of Kesem Boulevard extending from Fish Creek Thoroughfare to Honea Egypt Lane. Consequently and pursuant to the Agreement, the District elected to construct Segment 2, and, as of 2026, the County's annual payment percentage has increased from 50% to 75%.

MASTER DISTRICT FACILITIES

The Master District Contract

The District as the Master District of the Master District System provides, finances, constructs, owns, operates, and/or maintains certain Master District Facilities to serve the Participants within the Service Area. Each Participant will finance and construct their respective internal water and sewer facilities which are conveyed to the Master District and road facilities which are conveyed to the County.

The Service Area is approximately 2,882 acres of land generally located northwest of the central business district of the City of Houston, Texas. The District is located north of Farm-to-Market Road 1488. The Service Area is comprised of the Master District, MUD 153, MUD 123B, MUD 153B, and MUD 153C. MUD 123B, MUD 153B, and MUD 153C are not actively developing and have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. MUD 123B, MUD 153B, and MUD 153C may enter into the Master District Contracts in the future.

Currently, only MUD 153 has entered into the Master District Contract with the Master District, which contract was approved by the voters of both districts, as required by law, at their respective elections held on May 4, 2024. MUD 153 is currently the only Participant in the Master District System. MUD 153 is also the only municipal utility district within the Service Area to be actively developing. If and when development commences in MUD 123B, MUD 153B, and MUD 153C such districts will be requested to submit the Master District Contract to their voters for approval in order to receive the services and benefits that come with being part of the Master District System.

Among other things, the Master District Contract provides that the Master District will issue Contract Revenue Bonds from time to time to finance Master District Facilities that serve the Participants. Such bonds will be payable solely from the Contract Payments collected by the Master District from the Participants for such purposes. 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 Contract Revenue Bonds, including, if applicable, any 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 Contract Revenue 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 Contract Revenue 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, MUD 153's share of debt service payments on any Contract Revenue Bonds is 100%. There is no limit in the Master District Contract on the total principal amount of Contract Revenue Bonds that may be issued by the Master District.

The Operations and Maintenance Contract

The Master District operates the Master District Facilities and provides retail water and sewer services directly to the customers within the Participants' boundaries (currently only MUD 153) according to a rate order approved by the Master District applicable to all customers within the Service Area. The Master District reads all customer meters within the boundaries of the Participants on a monthly basis and invoices such customers monthly in accordance with the Master District's rate order. The Master District shall retain all water and sewer revenue received to fund its operation and maintenance expenses.

Under the Operations and Maintenance Contract, the Master District and the Participants agree that gross operating revenue received by the Master District, after accounting for operating funds on hand and projected water and sewer revenue, will at all times be not less than an amount sufficient for the payment of all operation and maintenance expense of the Master District and an O&M Reserve equal to twenty-five percent (25%) of the Master District's general fund budget for the then-current fiscal year. The Master District is entitled to establish and fund a reasonable reserve of up to one hundred percent (100%) of the Mater District's general fund budget, determined at the discretion of the Master District, for maintenance of Master District Facilities and provision of water and sewer services. The Master District may use monies from the O&M Reserve for any operation and maintenance expenses and extraordinary expenses and repairs including costs requirement to comply with regulatory requirements. If the Master District expends more than two-thirds (2/3) of the O&M Reserve in any one fiscal year, the Master District may replenish the O&M Reserve in one of the following manners at its sole discretion: i) include the O&M Reserve requirements for such replenishment in the next annual budget, or (ii) make a cash call to the Participants for their pro-rata shares of the O&M Reserve shortfall. To the extent the water and sewer revenue is not sufficient to pay for the Master District's operation and maintenance expenses, each Participant will pay its pro-rata share of the operation and maintenance expenses to cover any projected or actual shortfall in the Master District's operating budget. As the only Participant under the Master District Contract and the Operation and Maintenance Contract, MUD 153 will pay one hundred percent of any such shortfall.

Description of the System

Water Supply Faculties Source

The District will provide all necessary water supply to Participants to meet the Participants needs pursuant to the Master District Contract. The District obtains its water from Two Step Farm Water Plant No. 1, which is capable of serving 249 connections based on TCEQ minimum requirements. Water Plant No. 1 consists of one (1) water well (approximately 2,000 gallons per minute ("gpm") capacity), one (1) 361,000-gallon ground storage tank, one (1) 15,000-gallon hydro-pneumatic tank (pressure tank), and three (3) 800-gpm booster pumps. Well No. 1 is permitted by the Lone Star Groundwater Conservation District.

The next phase of Water Plant No. 1 is currently under construction and consists of one (1) 361,000-gallon ground storage tank, one (1) 15,000-gallon hydro-pneumatic tank (pressure tank), one (1) 800-gpm booster pump, and one (1) 400-gpm booster pump. The construction and engineering costs associated with this expansion are proposed to be funded through a future bond issue. The facilities are planned to be online in November 2026. The District's current water supply is capable of serving in excess of the existing occupied homes.

Wastewater Treatment Facilities

The District has purchased an interim package 0.2 MGD (200,000 gpd) wastewater treatment plant. The District's share of the total capacity in the 0.2 MGD WWTP is 200,000 gpd.

The next phase of the WWTP is currently under construction with a total rated capacity of 0.45 MGD (450,000 gpd). The District's share of the total capacity in the 0.45 MGD WWTP is 450,000 gpd.

The District's wastewater capacity is currently capable of serving 800 equivalent single-family connections ("ESFC"), which is more than sufficient to serve the existing occupied homes.

According to the Master District's Engineer, Quiddity Engineering, LLC (the "District's Engineer"), the Master District's water and wastewater system has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and the County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies.

Drainage System and the 100-Year Flood Plain

The District is located within the Mound Creek–Lake Creek watershed and naturally drains toward Lake Creek. The storm sewer collection system conveys runoff through an underground storm sewer system that discharges into three detention basins and separate tributaries located within the Development. Drainage ultimately outfalls into Lake Creek.

Drainage System Improvements: Within the District's service area, roadside ditches and curb-and-gutter streets with underground storm sewers were constructed as part of Two Step Boulevard, Two Step Farm Phase I Detention and Mass Grading, and Two Step Farm Phase I. All undeveloped land naturally drains to an existing Lake Creek tributary. Stormwater is conveyed through the storm sewer system into the detention facilities or existing tributaries and ultimately discharges into Lake Creek.

Two Step Farm includes approximately 264 acres of land located within the 100-year flood plain as described in FEMA flood plain panel maps 48339C0350G and 48339C0375G (eff. August 18, 2014), including a portion within Phase 1 of Two Step Farm. The Developer currently plans to designate this portion for open space and trails. Two Step Farm includes two general watersheds. The Mound Creek watershed drains to the south and ultimately discharges to Lake Creek. The Lake Creek watershed drains east to the West Fork of the San Jacinto River. Storm water detention will be provided for Two Step Farm in accordance with Drainage Impact Analyses prepared by Halff Associates. The general flow of surface water across Phase 1 of Two Step Farm appears to migrate from a northwesterly direction towards Lake Creek.

THE DEVELOPER AND PRINCIPAL LANDOWNERS WITHIN THE SERVICE AREA

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the district, designing the subdivision, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developers will be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district A developer is generally under no obligation to a district to develop the property which it owns in the district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developer and Principal Landowners

Jen Texas 35 LLC, a Texas limited liability company, ("Jen Texas 35" or the "Developer") and the Pod Developers (defined herein) own and are developing the property comprising Phase 1 of Two Step Farm. The Developer expects to continue constructing infrastructure and developing finished lots for sale to homebuilders. JEN 8 VA 2 LLC, a Delaware limited liability company (the "JEN 8"), is the sole member and owner of the Developer. JEN 8 is a subsidiary of a commingled institutional real estate private equity fund whose general partner is JEN 8 GP LLC, a Delaware limited liability company ("Jen 8 GP"), which is a wholly owned subsidiary of JEN Partners, LLC, a Delaware limited liability company ("JEN Partners"). An affiliate of JEN Partners has retained Oxland Group, LLC, a Texas limited liability company ("Oxland"), to serve as operating partner and development consultant for JEN Partners' Texas portfolio, including Two Step Farm.

The Developer has sold certain sections within MUD 153 to other development entities as described herein to develop the internal water, wastewater, and drainage facilities within those sections. DSLD, Pulte, and Coventry may be referred to herein as "POD Developers." Such development entities may be referred to herein as "POD Developers." The Developer has retained all reimbursement rights for the Master District Facilities and the internal facilities of the Service Area.

Approximately 32.93 acres within MUD 153 have been developed as Two Step Farm, Section 6 by DFH Coventry LLC, a Florida limited liability company ("Coventry"). All horizontal infrastructure to serve Two Step Farm, Section 6 is now complete.

DSLD Homes (Southwest), LLC, a Delaware limited liability company ("DSLD") developed approximately 39.87 acres within MUD 153 as Two Step Farm, Section 5. All horizontal infrastructure to serve Two Step Farm, Section 5 is now complete.

Approximately 59.20 acres within MUD 153 have been developed as Two Step Farm, Sections 2 and 9 by Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"). All horizontal infrastructure to serve Two Step Farm, Sections 2 and 9 is now complete.

Development Financing

Jen Texas 35 has obtained financing for a portion of the development of the Service Area through the Public Finance Authority, a body politic and corporate created and existing under the laws of the State of Wisconsin (the "PFA"). The PFA issued $60,150,597.04 Tax-Exempt Revenue Anticipation Capital Appreciation Bonds (Two Step Project), Series 2024 (the "PFA Bonds"), which are secured in part by the sale and assignment of the Developer and the POD Developers' right to receive the proceeds from the sale of future bonds, including the Bonds, issued by the District pursuant to the Master Development Financing Agreement between the District and Jen Texas 35 effective as of October 3, 2024. According to Jen Texas 35, it is currently in compliance with all material representations and certifications made with respect to the PFA Bonds and has made the necessary certifications made with respect to the PFA 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 the Texas Law.

Lot Sales Contracts

JEN Texas 35 has entered lot sales contracts with Stephen F. Austin d.b.a Autograph Homes, David Weekley Homes, DFH Coventry, Drees Custom Homes, DSLD Homes, Highland Homes, McKinley Homes, Partners in Building, Perry Homes, Pulte Homes, Shea/Trilogy Homes, and William David Homes.

Under the lot sales contracts, builders are required to deposit earnest money with a title company, typically equal to 15%–19% of the total purchase price of the completed lots. The earnest money is released to Developer upon Montgomery County approval of the civil plans for the applicable section(s) and is then credited proportionately against the purchase price as lots are closed.

Phase 1 consists of Sections 1–9. All builder contracts for Phase 1 have been fully performed, with the exception of the David Weekley Homes contract for lots in Sections 4, 7A, and 10.

Phase 2 consists of Sections 10–19 and 22. Substantially all Phase 2 lots have been contracted with builders, with the exception of lots in Section 11 and certain remaining model and specialty lots. The required earnest money has been deposited under the executed contracts, and the majority of the Phase 2 earnest money has already been released to Developer.

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DEVELOPMENT WITHIN THE SERVICE AREA

General

To date, development within the Service Area has only occurred within the boundaries of MUD 153. Within MUD 153, approximately 164.98 acres (1,017 lots) have been developed into the single-family residential subdivision of Two Step Farm, Sections 1-9. As of September 8, 2026, 208 homes were complete (105 occupied, 83 unoccupied, and 20 models), 114 homes were under construction, and 695 lots were developed and vacant. The remaining land within MUD 153 consists of approximately 84.79 acres under development, approximately 101.85 remaining developable acres, and approximately 709.47 undevelopable acres. The remaining land within the Service Area consists of approximately 1,922.76 undeveloped acres.

Status of Development within MUD 153

The table below summarizes the development within MUD 153 as of September 8, 2026, by section:

Two Step Farm	Section Acres (a)	Section Lots	Homes Complete	Homes Under Construction	Vacant Lots
Section 1	10.52	43	13	5	25
Section 2	18.42	119	27	18	74
Section 3	38.93	205	57	35	113
Section 4	17.83	158	48	23	87
Section 5	27.78	179	10	9	160
Section 6	21.79	142	29	9	104
Section 7	3.82	23	20	0	3
Section 8	8.66	32	4	4	24
Section 9	17.23	116	0	11	105
Total	164.98	1,017	208	114	695 (b)
Under Development	84.79 (c)				
Undevelopable	709.47				
Remaining Developable	101.85				
MUD 153 Total	1,061.09				

(a) The completed residential sections encompass approximately 269.48 acres, consisting of approximately 164.98 acres of residential lots and approximately 104.50 acres dedicated to internal roadways and reserves for open space, landscaping, utilities, and drainage. The drainage reserves include, but are not limited to, detention ponds located within certain subdivisions. The 104.50 acres dedicated to roadways and reserves are included in the undevelopable acreage.

(b) See "RISK FACTORS – Undeveloped Acreage and Vacant Lots."

(c) Two Step Farm, Sections 10-19 and Section 22 (1,166 lots) are currently under construction.

Homebuilders within the Participant

Homebuilders active within the Service Area include: Coventry Homes, Highland Homes, Perry Homes, Partners in Building, Stephen F. Austin d.b.a Autograph Homes, DSLD Homes, Pulte Homes, Drees Custom Homes, and David Weekley Homes. The homes being marketed in the Service Area range in price from approximately $300,000 to over $2,000,000.

TWO STEP FARM

General

The District is one of five municipal utility districts within the approximately 2,882 acres being marketed as the master-planned community of Two Step Farm (the "Service Area"). To date, approximately 164.98 acres (1,017 lots) have been developed as Two Step Farm, Sections 1-9. Approximately 84.79 acres (1,166 lots) are currently being developed within the Service Area, all within MUD 153. Development within MUD 123B, MUD 153B, and MUD 153C has not yet commenced.

PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(MUD 153 — September 2026)

MASTER DISTRICT FINANCIAL DATA

Contract Revenue Bonds of the Master District

2026 Gross Assessed Valuation of the Participant (100% of the taxable value as of January 1, 2026)	$ 135,095,101	(a)
Estimated Gross Assessed Valuation of the Participants as of August 15, 2026 (100% of the estimated taxable value as of August 15, 2026)	$ 222,314,801	(b)
Direct Debt:		
The Bonds	$ 14,700,000	
Total	$ 14,700,000	
Estimated Overlapping Debt	$ 1,357,254	(c)
Total Direct and Estimated Overlapping Debt	$ 16,057,254	
Direct Debt Ratios:		
Based on the 2026 Gross Assessed Valuation of the Participant	10.88 %	
Based on the Estimated Gross Assessed Valuation of the Participants as of August 15, 2026	6.61 %	
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2026 Gross Assessed Valuation of the Participant	11.89 %	
Based on the Estimated Gross Assessed Valuation of the Participants as of August 15, 2026	7.22 %	

Master District Debt Service Funds Available as of the Issuance of the Bonds

Contract Revenue System Debt Service Fund Balance (as of the Date of Delivery)	$ 1,157,625	(d)(f)
Operating Fund Balance (as of September 8, 2026)	$ 289,947	(e)

(a) Represents the gross assessed valuation of all taxable property located within the Participant as of January 1, 2026, as provided by the Appraisal District. This amount includes $803,090 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified. The Participant's tax roll is certified by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within all Participants as of August 15, 2026, and includes the gross estimate of values resulting from the construction of taxable improvements from January 1, 2026, through August 15, 2026. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "MASTER DISTRICT FINANCIAL DATA" – Estimated Direct and Overlapping Debt Statement."

(d) Represents eighteen (18) months of capitalized interest to be deposited into the Contract Revenue System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Contract Revenue System Debt Service Fund. The funds in the Contract Revenue System Debt Service Fund are pledged only to pay debt service on the Bonds or any additional Contract Revenue System Bonds the District may hereafter issue.

(e) See "RISK FACTORS – Operating Funds."

(f) Each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued for the purposes of acquiring or constructing the Master District Facilities by the dates specified by the Master District. MUD 153 is the only Participant and is therefore liable for 100% of the debt service requirements of the Bonds. See "THE BONDS – Contract Payments by the Participants".

Tax Rates of the Participants

Participant	2026 Road Debt Service Tax Rate	2026 Utility Debt Service Tax Rate	2026 Maintenance Tax Rate	2026 Contract Tax Rate	Total 2026 Tax Rate
MUD 153	$ 0.000	$ 0.000	$ 1.450	$ 0.00	$ 1.450

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures. Totals may not sum due to rounding.

Taxing Jurisdiction	Outstanding Debt as of April 30, 2026	Estimated Overlapping Percent	Estimated Overlapping Amount
Montgomery County	$ 535,450,000	0.12%	$ 662,083
Montgomery County Hospital	-	0.00%	$ -
Mongomery ISD	564,635,000	0.12%	$ 695,171
Montgomery MUD No. 153	-	100.00%	$ -
Emergency Service District No. 3	-	0.00%	$ -
Total Estimated Overlapping Debt			$ 1,357,254
The District			$ 14,700,000 (a)
Direct & Estimated Overlapping Debt			$ 16,057,254 (a)

(a) The Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2026 Gross Assessed Valuation of the Participants ($135,095,101)	10.88%	11.89%
Estimated Gross Assessed Valuation of the Participants as of August 15, 2026 ($222,314,801)	6.61%	7.22%

(a) Includes the Bonds.

TAX DATA

Contract Tax

The Master District has the authority to issue Contract Revenue 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 Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemption 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 unlimited Contract Taxes, from

revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amount necessary to establish and maintain funds established under the applicable bond resolution.

MUD 153 is currently the only Participant; therefore, MUD 153 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District from the proceeds of MUD 153's Contract Tax, until such time as there are additional Participants within the Service Area, if ever.

Debt Service Tax

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a direct continuing annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds. The Master District is not currently and is not anticipated to be a Participant and is not anticipated to levy a debt service tax.

Maintenance and Operations Tax

The Board of Directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing, and operating all necessary land, plants, works facilities, improvements, appliances, and equipment, if such maintenance and operations tax is authorized by a vote of the Participant's electors. Such tax would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. For the 2026 tax year, the Master District did not levy a maintenance and operations tax rate. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANT" for the amount of voter authorized maintenance and operations tax for each Participant.

Tax Rate Limitation of Participants

Maintenance and Operations:	$1.50 per $100 of assessed valuation.
Road Maintenance and Operations	$0.25 per $100 of assessed valuation.
Contract Taxes:	Unlimited (no legal limit as to rate or amount) (a).

(a) The Master District does not levy a Contract Tax; however, the Participants are required to levy and collect an unlimited Contract Tax to make required Contract Payments to the Master District.

Analysis of Tax Base

The following represents the type of property comprising the 2024-2026 tax rolls of each Participant as certified by the Appraisal District.

Type of Property	MUD 153 2026 Gross Certified Assessed Valuation (a)	MUD 153 2025 Gross Certified Assessed Valuation	MUD 153 2024 Gross Certified Assessed Valuation
Land	$ 109,755,654	$ 8,232,442	$ 7,208,354
Improvements	24,444,869	79,181	79,181
Personal Property	1,009,571	0	0
Exemptions	(918,083)	(4,208,634)	(6,545,266)
Total	$ 134,292,011	$ 4,102,989	$ 742,269

(a) Excludes $803,090 in uncertified value.

Principal Taxpayers

The following are the principal taxpayers within the Participant as shown on the Participant's certified appraisal rolls for the 2026 tax year.

Taxpayer	Assessed Valuation 2026 Tax Roll	Percent of 2026 Tax Roll
DSLD Homes Southwest LLC (a)	$ 18,849,628	14.04%
Drees Custom Homes LP (b)	14,847,186	11.06%
2024 TSF Development LLC	10,317,630	7.68%
Perry Homes LLC (b)	10,232,270	7.62%
Highland Homes Houston LLC (b)	9,948,720	7.41%
Jen Texas 35 LLC (a)	9,361,879	6.97%
DFH Coventry LLC (a) (b)	7,706,158	5.74%
Pulte Homes Of Texas LP (a) (b)	7,403,671	5.51%
Weekley Homes LLC (b)	6,819,235	5.08%
TPG AG EHC Ill (Phm) Multi State 1	4,894,612	3.64%
Total	$ 100,380,989	74.75%

(b) See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS WITHIN THE PARTICIPANT."

(c) See "DEVELOPMENT WITHIN THE SERVICE AREA – Homebuilders within the Participant."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements on the Bonds if no growth occurs beyond the 2026 Gross Certified Assessed Valuation of the Participant ($135,095,101), and the Estimated Gross Assessed Valuation of the Participant as of August 15, 2026 ($222,314,801). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the Master District.

Average Annual Debt Service Requirement (2027-2051)	$ 1,131,285
Contract Tax Rate of $0.89 on the 2026 Gross Certified Assessed Valuation of the Participant Produces	$ 1,142,229
Contract Tax Rate of $0.54 on the Estimated Gross Assessed Valuation of the Participant as of August 15, 2026, Produces	$ 1,140,475
Maximum Annual Debt Service Requirement (2038)	$ 1,146,288
Contract Tax Rate of $0.90 on the 2026 Gross Certified Assessed Valuation of the Participant Produces	$ 1,155,063
Contract Tax Rate of $0.55 on the Estimated Gross Assessed Valuation of the Participant as of August 15, 2026, Produces	$ 1,161,595

Estimated Overlapping Taxes

Property within the Service Area is subject to taxation by several taxing authorities in addition to the Participants. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of a Participant is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of a Participant and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes and the Participants are authorized to levy Contract Taxes. See "MASTER DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statements."

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2026 taxes per $100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2026 Tax Rate
MUD 153	$ 1.450000
Montgomery County	0.386000
Montgomery County Hospital	0.045800
Mongomery ISD	1.047900
Montgomery County ESD No. 3	0.100000
Total	$ 3.029700

TAXING PROCEDURES

Authority to Levy Taxes

The 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 of and interest on any unlimited tax bonds issued by it, Contract Tax to pay debt service on Contract Revenue Bonds, including the Bonds, that the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within the Participant have also authorized the levy of a maintenance and operations tax not to exceed $1.50 per $100 valuation for the operation and maintenance of water, wastewater, drainage, park and recreational, and road facilities serving the Participant.

Property Tax Code and County-wide Appraisal District

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

Property Subject to Taxation by the Participant

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the Participant are subject to taxation by the Participant. 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; and most individually-owned automobiles. In addition, each Participant may by its own action exempt residential homesteads of persons 65 years 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 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. The Participants are authorized by statute to disregard exemptions for the disabled and elderly 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. Furthermore, the Participants must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, 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 for the full value of the veteran's residence 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply 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 in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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 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 Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. To date, none of the Participants have adopted a homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: 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 for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the Participants do not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way

owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the 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.

Tax Abatement

The County may designate all or part of the area within the Service Area as a reinvestment zone. Thereafter, the County and the Participants, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Participants, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the County has not designated any part of the area within the Service Area as a reinvestment zone.

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 finally approved by the Appraisal Review Board, it is used by the Participants in establishing their 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, as such is defined in 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 (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Participants can collect taxes based on the new use, including taxes for the previous three (3) years, for 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 (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The Participants, however, at their expense, have the right to obtain from the Appraisal District a current estimate of appraised values within that Participant or an estimate of any new property or improvements within that Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Service Area, it cannot be used for establishing a tax rate within the Service Area until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Participants, adopting its tax rate for the tax year. A taxing unit, such as the Participants, may authorize the exemption at its discretion if the disaster is declared after the taxing unit

has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove took effect on January 1, 2024.

Participant and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Participants, may appeal orders of the Appraisal Review Board by filing a timely petition for review in 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

The 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 Participant, based upon: a) the valuation of property within 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. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the Participant and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the 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, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the Participant, may be rejected by taxing units. The Participant's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments

without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the Participants, if the taxpayer pays at least ¼th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

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

Rollback of Maintenance and Operations Tax Rate

Chapter 49 of the Texas Water Code classifies districts differently based on the current maintenance and operations tax rate or on the percentage of build-out that the Participants has completed. Districts that have adopted a maintenance and operations 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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations tax rate.

Developed Districts

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

The District/Participants

The Master District has not levied a tax and is not anticipating levying a tax but has made a determination of its status as a Developing District for the 2026 tax year. The Participants cannot give any assurances as to what their respective classifications will be at any point in time or whether the Participants' future tax rates will result in a total tax rate that will reclassify the Participants into new classifications and new election calculations. MUD 153, currently the only Participant, has made a determination of its status as a Developing District for the 2026 tax year.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by the Participants 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 Texas and each taxing unit, including the Participants, having the power to tax the property. The Participants' tax lien is on a 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 a 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, the Participants may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Participants 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 six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Master District under the Constitution and laws of Texas payable from the proceeds of the Contract Payments from the Participants 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 Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income for federal tax purposes under existing law and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing herein under "THE BONDS (except for information under the subheadings "Book Entry Only Systems," and "Payment Record"), "THE PARTICIPANTS," "THE MASTER DISTRICT – General," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE (except for the information under the subheading "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 herein nor has it conducted an investigation of the affairs of the District or the Developers 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 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.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the Date of Delivery, executed by both the Board President or the Board Vice President and the Board Secretary or the Board Assistant Secretary, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District 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 MATTERS

Opinion of Bond Counsel

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

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

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

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

Alternative Minimum Tax

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

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Bonds may have to be 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

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 may 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.

Not Qualified Tax-Exempt Obligations

The Bonds will NOT be designated "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE

In the Bond Resolution, the Master District has 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 material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The Master District will provide certain updated financial information and operating data to the MSRB annually.

The information to be updated includes all quantitative financial information and operating data of the general type included under "MASTER DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," "APPENDIX A – Certain Financial Information Regarding the Participants," and "APPENDIX B – Financial Statements of the Participant and the Master District." The Master District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2026. The Master District will provide the updated information to EMMA.

The Master District will provide the updated information to the MSRB through its EMMA system. The Master District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements if an audit is commissioned 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 (6) month period, and audited financial statements when and if 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 and the Participants may be required to employ from time to time pursuant to state law or regulation.

The Master District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 in each year, unless the Master District changes its fiscal year. If the Master District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or 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 the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" does not include municipal

securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Bonds represent the District's first series of bond indebtedness, as such, the District has not previously entered into a continuing disclosure agreement.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the Master District's records, the Master District Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The Master District's and the Participants financial statements for the fiscal year ended August 31, 2025, were audited by the Auditor and are attached hereto as "APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANT AND MASTER DISTRICT." The Auditor has consented to the publication of such financial statements herein.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor:

The Engineer: The information contained herein relating to engineering matters and to the description of the System and the Road System and, in particular, that information included in the sections entitled "DEVELOPMENT WITHIN THE SERVICE AREA," TWO STEP FARM," and "MASTER DISTRICT FACILITIES" has been provided by Quiddity Engineering, LLC and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained herein relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "TAX DATA," has been provided by Montgomery County and the Montgomery Central Appraisal District in reliance upon their authority as experts in appraising and tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of this 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 this 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 this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained herein are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 123 as of the date shown on the cover.

/s/ _____
President, Board of Directors
Montgomery County Municipal Utility District No. 123

ATTEST:

/s/ _____
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 123

APPENDIX A

CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	327,000,000
Voter Authorized Unlimited Tax Road Bonds	$	238,500,000
Voter Authorized Unlimited Tax Park Bonds	$	200,022,752
Total Principal Amount of Unlimited Tax Bonds Issued	$	-
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt	$	-
2026 Gross Certified Assessed Valuation	$	135,095,101
Estimated Gross Assessed Valuation as of August 15, 2026	$	222,314,801
2026 Gross Certified Assessed Valuation as a Percentage of the:		
2026 Gross Certified Assessed Valuation of the Participants		100%
Estimated Gross Assessed Valuation of the Participants as of August 15, 2026		100%
Estimated Average Annual Debt Service Requirement on the Bonds ($1,131,285) (2027-2051):		
Pro Rata Share Based on the 2026 Gross Certified Assessed Valuation	$	1,131,285
Pro Rata Share Based on the Estimated Gross Valuation as of August 15, 2026	$	1,131,285
Estimated Maximum Annual Debt Service Requirement on the Bonds ($1,146,288) (2038):		
Pro Rata Share Based on the 2026 Gross Certified Assessed Valuation	$	1,146,288
Pro Rata Share Based on the Estimated Gross Valuation as of August 15, 2026	$	1,146,288
Tax Rate Required to Pay Pro Rata Share of the Bonds Based Upon the 2026 Certified Gross Assessed Valuation at 95% Collections:		
Estimated Average Annual Debt Service Requirement		$ 0.89
Estimated Maximum Annual Debt Service Requirement		$ 0.90
Tax Rate Required to Pay Pro Rata Share of the Bonds Based Upon the Estimated Gross Assessed Valuation as of August 15, 2026, at 95% Collections:		
Estimated Average Annual Debt Service Requirement		$ 0.54
Estimated Maximum Annual Debt Service Requirement		$ 0.55
Status of Single-Family Development as of September 8, 2026:		
Approximate Total Developed Acreage		165
Single-Family Homes		105 (a)
Total Developed Lots		1,017

(a) Occupied homes only.

Principal Taxpayers

The following table illustrates the principal taxpayers, type of property, and their assessed values as of January 1, 2026:

Taxpayer	Assessed Valuation 2026 Tax Roll	Percent of 2026 Tax Roll
DSLD Homes Southwest LLC (a)	$ 18,849,628	14.04%
Drees Custom Homes LP (b)	14,847,186	11.06%
2024 TSF Development LLC	10,317,630	7.68%
Perry Homes LLC (b)	10,232,270	7.62%
Highland Homes Houston LLC (b)	9,948,720	7.41%
Jen Texas 35 LLC (a)	9,361,879	6.97%
DFH Coventry LLC (a) (b)	7,706,158	5.74%
Pulte Homes Of Texas LP (a) (b)	7,403,671	5.51%
Weekley Homes LLC (b)	6,819,235	5.08%
TPG AG EHC Ill (Phm) Multi State 1	4,894,612	3.64%
Total	$ 100,380,989	74.75%

(a) See "THE DEVELOPER AND PRINCIPAL LANDOWNERS."

(b) See "DEVELOPMENT WITHIN THE DISTRICT – Homebuilders within the Participant."

Historical Tax Collections

The following represents the historical tax collections for MUD 153's 2024-2025 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent Collections Current Year	Tax Year Ending 09/30	Percent Collections as of 09/01/2026
2024	$ 742,269	$ 1.45	$ 10,763	100.00%	2025	100.00%
2025	4,102,989	1.45	59,493	99.16%	2026	99.16%

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following table illustrates the components of the tax rate for the District's 2024–2026 tax years:

	2026	2025	2024
System Debt Service	$0.000	$0.000	$0.000
Road Debt Service	0.000	0.000	0.000
Contract Tax	0.000	0.000	0.000
Maintenance and Operations	1.450	1.450	1.450
Total	$1.450	$1.450	$1.450

APPENDIX B

FINANCIAL STATEMENTS OF THE PARTICIPANT AND THE MASTER DISTRICT

- **2025 Audit for Montgomery County Municipal Utility District No. 153 (Participant)**
- **2025 Audit for Montgomery County Municipal Utility District No. 123**

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 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 FUND BALANCE SHEET	9
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	11
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	12
NOTES TO THE FINANCIAL STATEMENTS	13-22
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	24
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
SERVICES AND RATES	26-27
GENERAL FUND EXPENDITURES	28
TAXES LEVIED AND RECEIVABLES	29-30
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND – ONE YEAR	31
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	32-33

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. 153
Montgomery County, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 153 (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of August 31, 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 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.

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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. 153

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 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

December 19, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

Our discussion and analysis of the financial performance of Montgomery County Municipal Utility District No. 153 (the "District") provides an overview of the District's financial activities for the fiscal year ended August 31, 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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 one governmental fund type. The General Fund accounts for resources property tax revenues, developer advances and operating costs and general expenditures.

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 Fund Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explains the differences between the two presentations and assists 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 $523,750, as of August 31, 2025.

A portion of the District's net position reflects its net investment in capital assets (capital assets 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 District.

The following table provides a summary of the Statement of Net Position for the year ended August 31, 2025. This is the District's first audit. In future years, a comparative analysis of changes in net position will be presented.

	Summary Statement of Net Position - 2025
Current and Other Assets	$ 41,977
Capital Assets (Net of Depreciation)	2,330,593
Total Assets	$ 2,372,570
Due to Developer	$ 2,881,060
Other Liabilities	15,260
Total Liabilities	$ 2,896,320
Net Position:	
Net Investment in Capital Assets	$ (67,467)
Unrestricted	(456,283)
Total Net Position	$ (523,750)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following provides a summary of the District's operations for the year ended August 31, 2025, which is the initial audit period for the District.

	Summary Statement of Activities - 2025
Total Revenues	$ 10,439
Total Expenses	$ 298,623
Change in Net Position	$ (288,184)
Net Position, Beginning of Year	(235,566)
Net Position, End of Year	$ (523,750)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2025, were $26,717, a decrease of $20,717 from the prior year. This decrease was primarily due to operating expenditures exceeding current year property tax revenues and developer advances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues were $10,439 more than budgeted revenues, actual expenditures were $7,906 more than budgeted expenditures and developer advances were $23,250 less than budgeted. This resulted in a negative variance of $20,717. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of August 31, 2025, total $2,330,593.

Capital Assets At Year-End

	2025
Capital Assets Subject to Depreciation:	
Depreciation:	
Infrastructure Assets	$ 2,330,593

For additional information on the Districts capital assets, see Note 5.

LONG-TERM DEBT

As of August 31, 2025, the District had no outstanding bond debt payable.

As of August 31, 2025, the District recorded an amount due to Developer of $2,881,060 which consists of operating and constructions advances.

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
AUGUST 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 40,640	$	$ 40,640
Prepaid Costs	1,337		1,337
Capital Assets (Net of Accumulated Depreciation)		2,330,593	2,330,593
TOTAL ASSETS	$ 41,977	$ 2,330,593	$ 2,372,570
LIABILITIES			
Accounts Payable	$ 15,260	$	$ 15,260
Due to Developer		2,881,060	2,881,060
TOTAL LIABILITIES	$ 15,260	$ 2,881,060	$ 2,896,320
FUND BALANCE			
Nonspendable: Prepaid Costs	$ 1,337	$ (1,337)	$
Unassigned	25,380	(25,380)	
TOTAL FUND BALANCE	$ 26,717	$ (26,717)	$ -0-
TOTAL LIABILITIES AND FUND BALANCE	$ 41,977		
NET POSITION			
Net Investment in Capital Assets		$ (67,467)	$ (67,467)
Unrestricted		(456,283)	(456,283)
TOTAL NET POSITION		$ (523,750)	$ (523,750)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total Fund Balance - Governmental Fund	$ 26,717
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	2,330,593
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This liability at year consists of:	
Due to Developer	(2,881,060)
Total Net Position - Governmental Activities	$ (523,750)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 10,439	$ -0-	$ 10,439
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 195,988	$	$ 195,988
Contracted Services	13,825		13,825
Depreciation		67,467	67,467
Other	21,343		21,343
TOTAL EXPENDITURES/EXPENSES	$ 231,156	$ 67,467	$ 298,623
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ (220,717)	$ (67,467)	$ (288,184)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 200,000	$ (200,000)	$ -0-
NET CHANGE IN FUND BALANCE	$ (20,717)	$ 20,717	$
CHANGE IN NET POSITION		(288,184)	(288,184)
FUND BALANCE/NET POSITION - SEPTEMBER 1, 2024	47,434	(283,000)	(235,566)
FUND BALANCE/NET POSITION - AUGUST 31, 2025	$ 26,717	$ (550,467)	$ (523,750)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2025

Net Change in Fund Balance - Governmental Fund	$	(20,717)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities.		(67,467)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.		(200,000)
Change in Net Position - Governmental Activities	$	(288,184)

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. 153 (the "District") was created effective May 27, 2015. 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 February 6, 2024.

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 Montgomery County Municipal Utility District No. 123 ("District No. 123") to serve as the Master District for the financing, operation, and maintenance of regional water, wastewater, drainage, road and park facilities.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined below:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- 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's 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 to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The District's one governmental fund is considered a major fund. The General Fund accounts for property tax revenues, developer advances, professional fees, and administrative 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 revenue reported in governmental funds to be available if they are collectable 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 as the ability to repay the advance on a timely basis.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

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 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District does not have any restricted fund balances.

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 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

As of August 31, 2025, the District does not have any long-term debt outstanding.

NOTE 4. 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 statues.

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 $40,640 and the bank balance was $57,709. 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.

As of August 31, 2025, the District had no investments.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2025 is as follows:

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Subject to Depreciation				
Infrastructure Assets	$ -0-	$ 2,398,060	$ -0-	$ 2,398,060
Accumulated Depreciation				
Infrastructure Assets	$ -0-	$ 67,467	$ -0-	$ 67,467
Total Capital Assets, Net of Accumulated Depreciation	$ -0-	$ 2,330,593	$ -0-	$ 2,330,593

NOTE 6. REGIONAL FACILITIES

The District serves as a participant district in a regional system (the "Master District System") in which Montgomery County Municipal Utility District No. 123 (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 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.

There are currently three additional municipal districts other than the District and the Master District within the Service area. These are Montgomery County Municipal Utility District Nos. 123B, 153B and 153C; however, Montgomery County Municipal Utility District Nos. 123B, 153B and 153C are not actively developing and/or, have not entered into the Master District Contract, and therefore, are not considered Participants at this time.

Currently, only the District has entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") with the Master District.

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 (i) 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

NOTE 6. REGIONAL FACILITIES (Continued)

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, or (ii) pay their respective pro rata share of debt service payments on the Master District Bonds from other legally available funds. 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 "actively developing District", the District's share of debt service payments on any Master District bonds is 100%.

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 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.

Water Facilities: Pursuant to the Master District Contract, the Master District is responsible for planning and providing regional water facilities to the Participants within its Service Area, including the District. In order to provide potable water supply services to the Participants, the Master District plans to construct a Master District Water Supply System.

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. The Master District plans to construct a Master District Waste Disposal System.

Regional Water Distribution and Wastewater Collection: The Master District plans to construct a Master District Water Delivery System and Sanitary Sewer Collections System, Storm Sewer System and Waste Disposal System to serve the Participants.

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.

NOTE 6. REGIONAL FACILITIES (Continued)

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants. The Participant's systems tie into the Master District's Systems.

Unless the Master District Contract is otherwise amended, the Master District shall not be authorized to issue Master District Water, Sewer, and Drainage Bonds exceeding, in the aggregate, $818,500,000; Master District Road Bonds exceeding, in the aggregate, $265,000,000; and Master District Park Bonds exceeding, in the aggregate, $200,022,752.

NOTE 7. 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 $2,881,060 for operating and construction advances as of August 31, 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:

Due to Developers, September 1, 2024	$	283,000
Current year additions		2,598,060
Due to Developers, August 31, 2025	$	2,881,060

NOTE 8. 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 two years.

NOTE 9. MAINTENANCE TAX

On May 4, 2024, 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 to pay expenditures of operating the District's conservation and reclamation system. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax rate of $1.45 per $100 of assessed valuation, which resulted in a tax levy of $10,763 on the adjusted taxable valuation of $742,269 for the 2024 tax year.

On May 4, 2024, 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 constructing and maintaining the District's roads. As of August 31, 2025, the District has not levied a road maintenance tax.

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 10. BOND AUTHORIZATION

At an election within the District on May 4, 2024, voters of the District authorized the issuance of bonds in the amount of $327,000,000 for the purchase or construction of water, sewer and drainage facilities and for the refunding of such bonds, $200,022,752 for the purchase or construction of recreational facilities and for the refunding of such bonds, and $238,500,000 for the purchase or construction of road facilities and for the refunding of such bonds. As of August 31, 2025, the District has not issued any bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED AUGUST 31, 2025

	Original and Final Budget	Actual	Positive (Negative)
REVENUES			
Property Taxes	$ -0-	$ 10,439	$ 10,439
EXPENDITURES			
Service Operations:			
Professional Fees	$ 186,250	$ 195,988	$ (9,738)
Contracted Services	15,000	13,825	1,175
Other	22,000	21,343	657
TOTAL EXPENDITURES	$ 223,250	$ 231,156	$ (7,906)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (223,250)	$ (220,717)	$ 2,533
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 223,250	$ 200,000	$ (23,250)
NET CHANGE IN FUND BALANCE	$ -0-	$ (20,717)	$ (20,717)
FUND BALANCE - SEPTEMBER 1, 2024	47,434	47,434	
FUND BALANCE - AUGUST 31, 2025	$ 47,434	$ 26,717	$ (20,717)

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGMENET GUIDE

AUGUST 31, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS

The District will receive water and wastewater services from the Master District (see Note 6)

3. TOTAL WATER CONSUMPTION DURING THE YEAR ROUNDED TO THE NEAREST THOUSAND:

None

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 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 _____ Partly _____ Not at all _X_

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. 153
GENERAL FUND EEXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:		
Engineering	$	20,029
Legal		175,959
TOTAL PROFESSIONAL FEES	$	195,988
CONTRACTED SERVICES:		
Bookkeeping	$	13,825
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	10,230
Insurance		1,732
Legal Notices		1,867
Office Supplies and Postage		6,421
Website, Meetings, and Other		1,093
TOTAL ADMINISTRATIVE EXPENDITURES	$	21,343
TOTAL EXPENDITURES	$	231,156

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	Maintenance Taxes	
TAXES RECEIVABLE - SEPTEMBER 1, 2024	$ -0-	
Adjustments to Beginning Balance		$ -0-
Original 2024 Tax Levy	$ 10,763	
Adjustment to 2024 Tax Levy		10,763
TOTAL TO BE ACCOUNTED FOR		$ 10,763
TAX COLLECTIONS:		
Prior Years	$ -0-	
Current Year	10,763	10,763
TAXES RECEIVABLE - AUGUST 31, 2025		$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	2024
PROPERTY VALUATIONS:	
Land	$ 7,208,354
Improvements	79,181
Exemptions	(6,545,266)
TOTAL PROPERTY VALUATIONS	$ 742,269
TAX RATES PER $100 VALUATION:	
Maintenance	$ 1.45
ADJUSTED TAX LEVY*	$ 10,763
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %

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

Maintenance Tax – Maximum tax rate of $1.50 per $100 of assessed valuation approved by voters on May 4, 2024.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - ONE YEAR

	Amounts	Percentage of Total Revenues
	2025	2025
REVENUES		
Property Taxes	$ 10,439	100.0 %
EXPENDITURES		
Professional Fees	$ 195,988	1,877.5 %
Contracted Services	13,825	132.4
Other	21,343	204.5
TOTAL EXPENDITURES	$ 231,156	2,214.4 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (220,717)	(2,114.4) %
OTHER FINANCING SOURCES (USES)		
Developer Advances	$ 200,000	
NET CHANGE IN FUND BALANCE	$ (20,717)	
BEGINNING FUND BALANCE	47,434	
ENDING FUND BALANCE	$ 26,717	
TOTAL ACTIVE RETAIL WATER CONNECTIONS	*	
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	*	

* The District had no active connections as of August 31, 2025

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address - Montgomery County Municipal Utility District No. 153
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 August 31, 2025	Expense Reimbursements for the year ended August 31, 2025	Title
Kellie Berry	05/24 – 05/28 (Elected)	$ 2,431	$ -0-	President
Sandra Ferguson	05/24 – 05/28 (Elected)	$ 1,989	$ 112	Vice President
Devin Baker	05/24 – 05/28 (Elected)	$ 1,989	$ -0-	Secretary
Brooke Anop	06/24 – 05/26 (Appointed)	$ 2,210	$ -0-	Assistant Vice President
Bethany Andell Haley	05/25 – 05/26 (Appointed)	$ 884	$ 130	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 Developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: June 16, 2025

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

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	Date Hired	Fees for the Year ended August 31, 2025	Title
The Muller Law Group, PLLC	02/06/24	$ 99,726	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/26/24	$ -0-	Auditor
Myrtle Cruz, Inc.	02/06/24	$ 15,764	Bookkeeper
Mary Jarmon	04/26/24	$ -0-	Investment Officer
Quiddity Engineering, LLC	02/06/24	$ 20,029	Engineer
Robert W. Baird & Co. Incorporated	02/06/24	$ -0-	Financial Advisor

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 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	11-19
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
SERVICES AND RATES	21-22
ENTERPRISE FUND EXPENSES	23
INVESTMENTS	24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	25-26

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. 123
Montgomery County, Texas

Opinion

We have audited the accompanying financial statements of Montgomery County Municipal Utility District No. 123 (the "District") as of and for the year ended August 31, 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 August 31, 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. 123

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 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

December 9, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

Our discussion and analysis of the financial performance of Montgomery County Municipal Utility District No. 123 (the "District") provides an overview of the District's financial activities for the fiscal year ended August 31, 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 $1,092,530, as of August 31, 2025.

A portion of the District's net position reflects its net investment in capital assets (land and construction in progress, 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 changes in the Statement of Net Position for the years ended August 31, 2025, and August 31, 2024:

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 131,115	$ 49,980,220	$ (49,849,105)
Capital Assets (Net of Accumulated Depreciation)	1,459,481	612,802	846,679
Total Assets	$ 1,590,596	$ 50,593,022	$ (49,002,426)
Due to Developer	$ 2,653,659	$ 50,948,813	$ 48,295,154
Other Liabilities	29,467	88,850	59,383
Total Liabilities	$ 2,683,126	$ 51,037,663	$ 48,354,537
Net Position:			
Net Investment in Capital Assets	$ 640,490	$ (119,994)	$ 760,484
Unrestricted	(1,733,020)	(324,647)	(1,408,373)
Total Net Position	$ (1,092,530)	$ (444,641)	$ (647,889)

FINANCIAL ANALYSIS (Continued)

The following provides a summary of changes in the District's operations for the years ended August 31, 2025, and August 31, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Total Revenues	$ 299,218	$ 283,914	$ 299,218
Expenses for Services	947,107	413,657	(533,450)
Change in Net Position	$ (647,889)	$ (129,743)	$ (518,146)
Net Position, Beginning of Year	(444,641)	(314,898)	(129,743)
Net Position, End of Year	$ (1,092,530)	$ (444,641)	$ (647,889)

CAPITAL ASSETS

Capital assets as of August 31, 2025, total $1,459,481 and include land and construction in progress.

	Capital Assets At Year-End, Net of Accumulated Depreciation		
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 408,397	$ 187,811	$ 220,586
Construction in Progress	1,051,084	424,991	626,093
Total Net Capital Assets	$ 1,459,481	$ 612,802	$ 846,679

LONG-TERM DEBT

As of August 31, 2025, the District had no outstanding bond debt payable.

As of August 31, 2025, the District recorded an amount due to Developer of $2,653,659 which consists of operating and constructions advances.

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
STATEMENT OF NET POSITION - PROPRIETARY FUND TYPE
AUGUST 31, 2025

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 103,281
Investments	5,450
Prepaid Costs	22,384
TOTAL CURRENT ASSETS	$ 131,115
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land and Land Improvements	$ 408,397
Construction in Progress	1,051,084
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	$ 1,459,481
TOTAL ASSETS	$ 1,590,596
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	$ 29,467
NONCURRENT LIABILITIES	
Due to Developer	$ 2,653,659
TOTAL LIABILITIES	$ 2,683,126
NET POSITION	
Net Investment in Capital Assets	$ 640,490
Unrestricted	(1,733,020)
TOTAL NET POSITION	$ (1,092,530)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED AUGUST 31, 2025

	Enterprise Fund
OPERATING REVENUES	$ - 0 -
OPERATING EXPENSES	
Service Operations:	
Professional Fees	$ 174,672
Contracted Services	12,050
Repairs and Maintenance	180,000
Other	20,230
TOTAL OPERATING EXPENSES	$ 386,952
OPERATING INCOME (LOSS)	$ (386,952)
NONOPERATING REVENUES (EXPENSES)	
Investment Revenues	$ 299,218
Developer Interest	(560,155)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (260,937)
CHANGE IN NET POSITION	$ (647,889)
NET POSITION - SEPTEMBER 1, 2024	(444,641)
NET POSITION - AUGUST 31, 2025	$ (1,092,530)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
FOR THE YEAR ENDED AUGUST 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Payments for Goods and Services	$ (446,335)
NET CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	$ (446,335)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Developer Advances	$ 1,245,000
Payments for Capital Assets	(869,063)
Developer Reimbursement including Interest	(50,100,309)
NET CASH PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITES	$ (49,724,372)
CASH FLOWS FROM INVESTING ACTIVITES:	
Receipt of Interest	$ 299,218
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	$ 299,218
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (49,871,489)
CASH AND CASH EQUIVALENTS - SEPTEMBER 1, 2024	49,980,220
CASH AND CASH EQUIVALENTS - AUGUST 31, 2025	$ 108,731
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (386,952)
Increase (Decrease) in Accounts Payable	(59,383)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (446,335)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 123 (the "District") was created effective June 15, 2007. 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 August 13, 2007.

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 Montgomery County Municipal Utility District No. 153 ("District No. 153") 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:

Proprietary Fund Type – 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:

Enterprise Fund - 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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

- 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.

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

As of August 31, 2025, the District does not have any long-term debt outstanding.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $103,281 and the bank balance was $123,088. 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.

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexSTAR, an external investment pool that is not SEC-registered. First Southwest Asset Management, Inc., and JP Morgan Chase manage the daily operations of TexSTAR. TexSTAR meets the criteria established in GASB No. 79 and measures all of their portfolio assets at amortized cost. As a result, the District also measures its investments in TexSTAR at amortized cost for financial reporting purposes. There are no limitation or restrictions on withdrawals from TexSTAR.

As of August 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
ENTERPRISE FUND		
TexSTAR	$ 5,450	$ 5,450

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2025, the District's investments in TexSTAR 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 TexSTAR 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 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2025 is as follows:

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 187,811	$ 220,586	$	$ 408,397
Construction in Progress	424,991	626,093		1,051,084
Total Capital Assets Not Being Depreciated	$ 612,802	$ 846,679	$ -0-	$ 1,459,481

NOTE 6. REGIONAL FACILITIES

The District serves as the Master District (the "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 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.

There are currently four additional municipal districts other than the Master District within the Service area. These are Montgomery County Municipal Utility District Nos. 123B, 153, 153B and 153C; however, Montgomery County Municipal Utility District Nos. 123B, 153B and 153C are not actively developing and/or, have not entered into the Master District Contract, and therefore, are not considered Participants at this time.

Currently, only District No. 153 has entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") with the Master District.

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 District from the Participants for such purpose. The Participants are required to (i) 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, or (ii) pay their respective pro rata share of debt service payments on the Master District Bonds from other legally available funds. 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 "actively developing District", District No 153'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 6. REGIONAL FACILITIES (Continued)

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.

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, including the District. In order to provide potable water supply services to the Participants, the District plans to construct a Master District Water Supply System.

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. The District plans to construct a Master District Waste Disposal System.

Regional Water Distribution and Wastewater Collection: The District plans to construct a Master District Water Delivery System and Sanitary Sewer Collections System, Storm Sewer System and Waste Disposal System to serve the Participants.

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, are being constructed, or will be constructed by the Participants. The Participant's systems tie into the Master District's Systems.

Maximum Bonding Authorization: Unless the Master District Contract is otherwise amended, the Master District shall not be authorized to issue Master District Water, Sewer, and Drainage Bonds exceeding, in the aggregate, $818,500,000; Master District Road Bonds exceeding, in the aggregate, $265,000,000; and Master District Park Bonds exceeding, in the aggregate, $200,022,752.

NOTE 7. 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 $2,653,659 for operating and construction advances as of August 31, 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:

Due to Developer, beginning of year	$ 50,948,813
Current Year Additions	1,245,000
Current Year Reimbursement	(49,540,154)
Due to Developer, end of year	$ 2,653,659

NOTE 8. 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 9. MAINTENANCE TAX

On May 4, 2024, 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 to pay expenditures of operating the District's conservation and reclamation system. During the year ended August 31, 2025, the District did not levy a maintenance tax.

On May 4, 2024, 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 constructing and maintaining the District's roads. As of August 31, 2025, the District has not levied a road maintenance tax.

NOTE 10. ROAD IMPROVEMENTS AGREEMENT WITH MONTGOMERY COUNTY

On May 9, 2022, the District entered into an Agreement with Montgomery County (the "County"). The Agreement was amended on April 9, 2024. It calls for the County to reimburse the District a maximum of $25,000,000 for road improvements, including related drainage facilities.

The Agreement specifies the methodology by which annual payments, which are based on the District's taxable values, are to be calculated and additionally authorizes the Distict to issue bonds supported by these payments.

MONTGOMERY COUNTY MUNICIPAL UTILITY

DISTRICT NO. 123

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGMENET GUIDE

AUGUST 31, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

_____ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

Other (specify):

_____ Provides Master District services to Participants

2. RETAIL SERVICE PROVIDERS

The District will provide water and wastewater services to the Participants (see Note 6)

3. TOTAL WATER CONSUMPTION DURING THE YEAR ROUNDED TO THE NEAREST THOUSAND:

None

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 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 _____ Partly _____ Not at all _X_

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. 123
ENTERPRISE FUND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:		
Auditing and AUP	$	11,250
Engineering		19,294
Legal		144,128
TOTAL PROFESSIONAL FEES	$	174,672
CONTRACTED SERVICES:		
Bookkeeping	$	12,050
REPAIRS AND MAINTENANCE	$	180,000
ADMINISTRATIVE EXPENSES:		
Director Fees	$	9,945
Insurance		372
Office Supplies and Postage		5,165
Payroll Taxes		794
Travel and Meetings		2,141
Other		1,813
TOTAL ADMINISTRATIVE EXPENSES	$	20,230
DEVELOPER INTEREST	$	560,155
TOTAL EXPENSES	$	947,107

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
INVESTMENTS
AUGUST 31, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
ENTERPRISE FUND					
TexSTAR	XXXX2220	Varies	Daily	$ 5,450	$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address - Montgomery County Municipal Utility District No. 123
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 August 31, 2025	Expense Reimbursements for the year ended August 31, 2025	Title
Brian Bare	09/22 – 05/26 (Appointed)	$ 2,652	$ 414	President
Glenn Wong	05/24 – 05/28 (Elected)	$ 1,989	$ 93	Vice President
Ray Aguilar	06/24 – 05/28 (Appointed)	$ 2,210	$ 1,067	Secretary
Damon Sachs	05/24 – 05/28 (Elected)	$ 2,210	$ 346	Assistant Secretary
Ethan McAdoo	05/22 – 05/26 (Elected)	$ 884	$ 222	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 Developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: June 28, 2024

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

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 123
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	Date Hired	Fees for the Year ended August 31, 2025	Title
The Muller Law Group, PLLC	05/09/22	$ 146,975	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/18/24	$ 11,250	Auditor
Myrtle Cruz, Inc.	07/23/13	$ 14,198	Bookkeeper
Mary Jarmon	07/23/13	$ -0-	Investment Officer
Quiddity Engineering, LLC	12/13/23	$ 19,294	Engineer
Robert W. Baird & Co. Incorporated	01/31/24	$ -0-	Financial Advisor
Si Environmental LLC	03/20/24	$ -0-	Operator

See accompanying independent auditor's report.