

OFFICIAL STATEMENT DATED MAY 16, 2022

In the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

The Bonds have NOT been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - NOT Qualified Tax-Exempt Obligations."

NEW ISSUE - Book Entry Only

Moody's Investors Service, Inc. (Underlying) "Baa3"
S&P Global Ratings (BAM Insured) "AA"

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 121
(A political subdivision of the State of Texas, located within Montgomery County)

\$8,160,000
Unlimited Tax Bonds
Series 2022

\$4,180,000
Unlimited Tax Road Bonds
Series 2022

Dated: June 1, 2022

Due: September 1, as shown on the inside cover

Interest on the \$8,160,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Bonds, Series 2022 (the "System Bonds") and the \$4,180,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds," and together with the System Bonds, the "Bonds") will accrue from the initial date of delivery (on or about June 21, 2022) and is payable on March 1, 2023, and on each September 1 and March 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 12 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 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 for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Montgomery County Municipal Utility District No. 121 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any entity other than the District.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The System Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "System") and the Road Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$136,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds and \$50,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds. Additionally, voters in the District have authorized \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$122,840,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds, \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds, and \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds will remain authorized but unissued. The Bonds, when issued will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered by the Initial Purchasers subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers, subject to, among other things, the approval of the Attorney General of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about June 21, 2022.

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

\$8,160,000 Unlimited Tax Bonds, Series 2022

\$2,115,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373G (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373G (b)
2023	\$ 140,000	6.500%	2.400%	CA1	2028 (c)	\$ 250,000	4.000%	3.300%	CF0
2024	215,000	6.500%	2.600%	CB9	2029 (c)	260,000	4.000%	3.400%	CG8
2025	220,000	6.500%	2.800%	CC7	2030 (c)	275,000	4.000%	3.500%	CH6
2026	230,000	6.500%	3.000%	CD5	2031 (c)	285,000	4.000%	3.600%	CJ2
2027 (c)	240,000	6.500%	3.050%	CE3					

\$6,045,000 Term Bonds

\$605,000 Term Bond Due September 1, 2033 (c)(d), Interest Rate: 4.000% (Price: \$100.891) (a), CUSIP No. 61373G CL7 (b)
 \$655,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 4.000% (Price: \$100.443) (a), CUSIP No. 61373G CN3 (b)
 \$715,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 61373G CQ6 (b)
 \$775,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$98.769) (a), CUSIP No. 61373G CS2 (b)
 \$845,000 Term Bond Due September 1, 2041 (c)(d), Interest Rate: 4.000% (Price: \$97.377) (a), CUSIP No. 61373G CU7 (b)
 \$2,450,000 Term Bond Due September 1, 2046 (c)(d), Interest Rate: 4.250% (Price: \$98.507) (a), CUSIP No. 61373G CZ6 (b)

\$4,180,000 Unlimited Tax Road Bonds, Series 2022

\$805,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373G (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373G (b)
2023	\$ 70,000	5.000%	2.400%	DA0	2027 (c)	\$ 125,000	5.000%	3.100%	DE2
2024	110,000	5.000%	2.600%	DB8	2028 (c)	130,000	5.000%	3.200%	DF9
2025	115,000	5.000%	2.800%	DC6	2029 (c)	135,000	5.000%	3.300%	DG7
2026	120,000	5.000%	3.000%	DD4					

\$3,375,000 Term Bonds

\$285,000 Term Bond Due September 1, 2031 (c)(d), Interest Rate: 5.000% (Price: \$107.223) (a), CUSIP No. 61373G DJ1 (b)
 \$310,000 Term Bond Due September 1, 2033 (c)(d), Interest Rate: 3.625% (Price: \$98.412) (a), CUSIP No. 61373G DL6 (b)
 \$335,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 5.000% (Price: \$106.287) (a), CUSIP No. 61373G DN2 (b)
 \$2,445,000 Term Bond Due September 1, 2046 (c)(d), Interest Rate: 4.250% (Price: \$98.507) (a), CUSIP No. 61373G DZ5 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. 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 have been assigned to this issue by the 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 District, the Financial Advisor (herein defined), or the Initial Purchasers shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on September 1, 2027, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on June 1, 2027, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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 in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from 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 in this Official Statement.

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 District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE."

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

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.

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APPENDIX A - FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.010010% of par, resulting in a net effective interest rate to the District 4.389466%, 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 System Bonds after their sale by the District to the System Bonds Initial Purchaser. The District has no control over the price at which the System Bonds are subsequently sold, and the initial yields at which the System Bonds are priced and reoffered are established by and are the sole responsibility of the System Bond Initial Purchaser.

After requesting competitive bids for the Road Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser") to purchase the Road Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.011386% of par, resulting in a net effective interest rate to the District 4.545151%, 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 Road Bonds after their sale by the District to the Road Bonds Initial Purchaser. The District has no control over the price at which the Road Bonds are subsequently sold, and the initial yields at which the Road Bonds are priced and reoffered are established by and are the sole responsibility of the Road Bond Initial Purchaser.

The System Bond Initial Purchaser and the Road Bond Initial Purchaser are generally and collectively referred to as the "Initial Purchasers" throughout this Official Statement.

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 Purchasers on or before the date of delivery 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. Otherwise, the District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

Subject to certain restrictions described in the Official Notice of Sale, 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 Purchasers 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 Purchasers 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 United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, 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

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue separate Municipal Bond Insurance Policies for the Bonds (each a “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as “APPENDIX B.”

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million, and \$294.7 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "Baa3" to the Bonds. The District will pay the fee charged by Moody's for the underlying credit rating. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned to the Bonds other than the ratings of S&P and Moody's.

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. 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 \$8,160,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Bonds, Series 2022 (the "System Bonds") and the \$4,180,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds," and together with the System Bonds, the "Bonds") are dated June 1, 2022, and mature on September 1 in the years and amounts set forth on the inside cover. Interest accrues from the initial date of delivery (on or about June 21, 2022) at the rates per annum set forth on the inside cover and is payable March 1, 2023, and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption Provisions	<p>The Bonds maturing on and after September 1, 2027, are subject to redemption, in whole or from time to time in part, at the option of Montgomery County Municipal Utility District No. 121 (the "District") on June 1, 2027, 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 – <i>Optional Redemption</i>."</p> <p>The System Bonds mature serially on September 1 in each year 2023 through 2031, both inclusive. The System Bonds maturing on September 1 in the years 2033, 2035, 2037, 2039, 2041, and 2046 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p> <p>The Road Bonds mature serially on September 1 in each year 2023 through 2029, both inclusive. The Road Bonds maturing on September 1 in the years 2031, 2033, 2035, and 2046 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p>
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Outstanding Bonds	The following bonds have previously been issued by the District for the purpose of acquiring or constructing the System (herein defined): \$5,920,000 Unlimited Tax Bonds, Series 2021 (the "Outstanding System Bonds"). The following bonds have previously been issued for the purpose of acquiring or constructing the Road System (herein defined): \$1,880,000 Unlimited Tax Road Bonds, Series 2021 (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). As of delivery

of the Bonds, \$7,800,000 principal amount of such debt will remain outstanding.

Payment Record..... The District has never defaulted in the payment of the principal and interest on its bonded indebtedness.

Authority for Issuance..... The System Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "System") and the Road Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$136,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds and \$50,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds. Additionally, the voters in the District have authorized a total of \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$122,840,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds, \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds, and \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds will remain authorized but unissued. The Bonds, when issued will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The System Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8211 of the Texas Special District Local Laws Code; a resolution authorizing issuance of the System Bonds (the "System Bond Resolution") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 7, 2017.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas; including Article III, Section 52 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8211, Texas Special District Local Laws Code, as amended; a resolution authorizing issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions") adopted by the Board; and an election held within the boundaries of the District on November 7, 2017. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Short-Term Debt..... In connection with the System Bonds, the District issued its \$4,500,000 Bond Anticipation Note, Series 2021 (the "BAN"), dated September 30, 2021. The BAN accrues interest at a rate of 1.010%

per year (computed on the basis of a 365-day year and the actual days elapsed) and matures on September 29, 2022. See “THE BONDS – Short-Term Debt.”

- Use of System Bond Proceeds..... Proceeds from the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse JDC (herein defined) for a portion of the improvements and related costs shown under “USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS.” Additionally, proceeds from the System Bonds will also be used to reimburse JDC for the improvements and related costs that were not reimbursed by the BAN, to pay developer interest, to pay developer advances, to pay creation costs, to pay market study costs, to pay BAN interest, to pay capitalized interest and to pay other certain costs associated with the issuance of the BAN and the System Bonds. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS."
- Use of Road Bond Proceeds Proceeds from the sale of the Road Bonds will be used to reimburse JDC and Tri Pointe (herein defined) for the improvements and related costs shown under “USE AND DISTRIBUTION OF ROAD BOND PROCEEDS.” Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the Road Bonds. See “USE AND DISTRIBUTION OF ROAD BOND PROCEEDS.”
- Municipal Bond Insurance Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
- Ratings..... S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “RATINGS.”
- Not Qualified Tax-Exempt Obligations The District has NOT designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."
- General & Bond Counsel..... The Muller Law Group, PLLC, Sugar Land, Texas.
- Disclosure Counsel Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
- Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas.
- Engineer LJA Engineering, Inc., Houston, Texas.

THE DISTRICT

- The Issuer The District was created under Section 59, Article XVI, and Section 52, Article III, Texas Constitution by Senate Bill 1965 of the Texas Legislature, 80th Regular Session, as codified in Chapter 8211 of the Texas Special District Local Laws Code. The District is part of an approximate 3,150-acre master-planned community known as “Woodforest.” At the time of creation, the District contained approximately 503.17 acres. The District has since approved an Order Excluding Land dated May 20, 2015, which excluded approximately 357.06 acres. The District has also approved an Order Adding Land dated February 15, 2017 and November 16, 2020. With these orders the District annexed approximately 334.26 acres. The District currently consists of approximately 480.37 acres. See “THE DISTRICT – General.”
- Location The District is located in the Central part of the County, approximately 38 miles northwest of the downtown of the City of Houston, Texas. The District is approximately 6.5 miles west of Interstate Highway 45 and approximately 4 miles north of FM 1488. The District is located within the master planned community of Woodforest, north of Lake Creek. The District is not located within

any city's corporate limits but is within the extraterritorial jurisdiction of the City of Conroe. The District is generally bounded on the North by existing Ridge Lake Shores Development, on the East by undeveloped acreage, on the South by Lake Creek and on the West by Mound Creek. See "LOCATION MAP."

Developers and Principal Landowners Woodforest Development, Inc. ("JDC"), a Texas corporation, is the main developer in the District. Its president is Michael Smith of Johnson Development Corp. JDC currently owns approximately 178.34 acres in the District.

In October 2020, Tri Pointe Homes Texas, Inc. ("Tri Pointe," and together with JDC, the "Developers"), a Texas Corporation, purchased approximately 52.27 acres of land which was subsequently annexed into the District. Of such acreage, approximately 21.65 has been developed for single family residential purposes and is being marketed as Stewart Heights at Woodforest (96 lots).

Development within the District To date, land within the District is being developed as the single-family subdivisions of Woodforest, Sections 67, 68, 74, 75, 76, 77, 78, 80, 81, 83, 84, 85, 87, 89, 90, 92, 101, 104, and 106; Pine Island, Section 3; and Noble Greens, Section 1 and Section 2 (aggregating approximately 204.80 acres and 832 single-family lots). As of March 1, 2022, the District consisted of 461 complete and occupied homes, 16 complete and unoccupied homes, 11 model homes, 183 homes under construction, and 161 vacant developed lots. The District contains approximately 153.57 undeveloped but developable acres and approximately 122.00 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT."

Homebuilders Active Within the District .. Homebuilders active within the District include Chesmar Homes, Highland Homes, Huntington Homes, Lennar Homes, Perry Homes, Tipler Luxury Homes, and Westin Homes. The homes being marketed in the District range in price from approximately \$195,000 to over \$1,100,000, with an average sales price of \$425,919.

Woodforest..... All residential development within Woodforest has occurred within the District and Montgomery County Municipal Utility District No. 113. Within Woodforest, JDC has facilitated the construction of 10 parks and open playgrounds; an approximately 14-mile trail system; 5 fountains; 4 lakes; a baseball field; 3 soccer fields; a dog park; a multi-sport sportsplex center; a driving range; 27-hole golf course, including a renovated clubhouse; and a nature park. JDC has also constructed Forest Island, a 20-acre recreational facility that includes a 6,500 square foot resort-style pool; a 10,000 square foot pool deck; a 5-lane lap pool; 2 water slides; a basketball court; a 5,000 square foot splash pad; 6 tennis courts; restroom facilities; a playground area; and a food vending area. There is also a member-only 10,000 square foot clubhouse for the Bonterra at Woodforest Active-Adult Community. In addition, Conroe Independent School District has constructed an elementary school within Woodforest. Fire protection service within Woodforest is provided by Montgomery County Emergency Services District No. 3, which has constructed a fire station within Woodforest. The Church at Woodforest, hosted financially by The Woodlands United Methodist Church, has occupied its Phase I - 19,000 square foot worship center. Other Retail/Commercial development includes 92,947 square feet of mixed-use development, with an additional 181,250 square feet of mixed-use retail in construction. See "WOODFOREST."

INFECTIOUS DISEASE OUTBREAK – COVID-19

Infectious Disease Outlook – COVID-19 The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described under “INVESTMENT CONSIDERATIONS – Infectious Disease Outlook (COVID-19)”, federal, state, and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property within the central Texas area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2021 Assessed Valuation	\$ 100,064,994 (a)
(100% of the taxable value as of January 1, 2021)	
2022 Preliminary Assessed Valuation	\$ 244,453,551 (b)
(100% of the taxable value as of January 1, 2022)	
Estimate of Assessed Valuation as of February 1, 2022	\$ 252,387,228 (c)
(100% of the estimated taxable value as of February 1, 2022)	
Direct Debt:	
The Outstanding Bonds (As of delivery of the Bonds)	\$ 7,800,000
The System Bonds	8,160,000
The Road Bonds	<u>4,180,000</u>
Total Direct Debt	<u>\$ 20,140,000</u>
Estimated Overlapping Debt	<u>\$ 8,763,082</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 28,903,082</u>
Direct Debt Ratios as a Percentage of:	
The 2021 Assessed Valuation (\$100,064,994)	20.13 %
The 2022 Preliminary Assessed Valuation (\$244,453,551)	8.24 %
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	7.98 %
Direct and Estimated Overlapping Debt Ratios as a Percentage of:	
The 2021 Assessed Valuation (\$100,064,994)	28.88 %
The 2022 Preliminary Assessed Valuation (\$244,453,551)	11.82 %
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	11.45 %
System Construction Fund Balance (as of March 21, 2022)	\$ 271,836
Road Construction Fund Balance (as of March 21, 2022)	\$ 9,978
Operating Fund Balance (as of March 21, 2022)	\$ 616,891
System Debt Service Fund Balance (as of March 21, 2022)	\$ 245,431 (d)
Road System Debt Service Fund Balance (as of March 21, 2022)	\$ 100,955 (e)
2021 Tax Rate per \$100 of Assessed Valuation	
System Debt Service	\$ 0.270
Road Debt Service	0.090
Maintenance & Operation	<u>0.630</u>
Total	<u>\$ 0.990 (f)</u>
Average Annual Debt Service Requirement on the Outstanding System	
Bonds and the System Bonds (2022-2046)	\$ 834,701 (g)
Maximum Annual Debt Service Requirement on the Outstanding System	
Bonds and the System Bonds (2045)	\$ 916,300 (g)
System Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the	
Average Annual Debt Service Requirement on the Outstanding System	
Bonds and the System Bonds (2022-2046) at 95% Tax Collections Based Upon:	
The 2021 Assessed Valuation (\$100,064,994)	\$ 0.88
The 2022 Preliminary Assessed Valuation (\$244,453,551)	\$ 0.36
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	\$ 0.35
System Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the	
Maximum Annual Debt Service Requirement on the Outstanding System	
Bonds and the System Bonds (2045) at 95% Tax Collections Based Upon:	
The 2021 Assessed Valuation (\$100,064,994)	\$ 0.97
The 2022 Preliminary Assessed Valuation (\$244,453,551)	\$ 0.40
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	\$ 0.39

Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022-2046).....	\$ 369,985 (h)
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2045).....	\$ 394,725 (h)
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022-2046) at 95% Tax Collections Based Upon:	
The 2021 Assessed Valuation (\$100,064,994).....	\$ 0.39
The 2022 Preliminary Assessed Valuation (\$244,453,551).....	\$ 0.16
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228).....	\$ 0.16
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2045) at 95% Tax Collections Based Upon:	
The 2021 Assessed Valuation (\$100,064,994).....	\$ 0.42
The 2022 Preliminary Assessed Valuation (\$244,453,551).....	\$ 0.17
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228).....	\$ 0.17
Number of Single-Family Homes (including 183 homes in various stages of construction) as of January 1, 2022.....	671

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- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2021, provided by the Appraisal District (herein defined). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Represents the preliminary determination of the assessed valuation of all taxable property within the district as of January 1, 2022, provided by the Appraisal District. This valuation is subject to protest by the owners of taxable property in the District. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES".
 - (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of February 1, 2022, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2021, through February 1, 2022. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (d) Neither Texas Law nor the System Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the System Bonds, not the Outstanding Road Bonds or the Road Bonds. Upon closing and delivery of the System Bonds, capitalized interest will be deposited into the System Debt Service Fund.
 - (e) Neither Texas Law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds and the Road Bonds, not the Outstanding System Bonds or the System Bonds. Upon closing and delivery of the Road Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund.
 - (f) See "TAX DATA - Tax Rate Calculations."
 - (g) Debt service for the System Bonds. See "DISTRICT DEBT - System Debt Service Requirement Schedule."
 - (h) Debt service for the Road Bonds. See "DISTRICT DEBT - Road Debt Service Requirement Schedule."

OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 121

(A Political Subdivision of the State of Texas, located within Montgomery County)

\$8,160,000
Unlimited Tax Bonds
Series 2022

\$4,180,000
Unlimited Tax Road Bonds
Series 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 121 (the "District") of its \$8,160,000 Unlimited Tax Bonds, Series 2022 (the "System Bonds") and its \$4,180,000 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8211 of the Texas Special District Local Laws Code; a resolution authorizing issuance of the System Bonds (the "System Bond Resolution") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 7, 2017.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas; including Article III, Section 52 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8211, Texas Special District Local Laws Code, as amended; a resolution authorizing issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions") adopted by the Board; and an election held within the boundaries of the District on November 7, 2017.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolutions. The initial purchaser of the System Bonds (the "System Bond Initial Purchaser") and the initial purchaser of the Road Bonds (the "Road Bond Initial Purchaser") are collectively referred to herein as the "Initial Purchasers."

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. 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 District's Financial Advisor (herein defined) at 1331 Lamar Street, Suite 1360, Houston, Texas 77010, upon payment of reasonable copying, mailing, and handling charges.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas (the "State"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City") or any political subdivision, will be secured by two (2) separate continuing, direct, annual ad valorem taxes, levied without legal limitation as to rate or amount, on all property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the City of Houston, Texas ("Houston") metropolitan area. New single-family housing construction can be significantly affected by factors such as interest rates,

construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT WITHIN THE DISTRICT.”

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 38 miles northwest from the central business district of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, Woodforest Development, Inc. (“JDC”) and Tri Pointe Homes Texas, Inc. (“Tri Pointe,” and together with JDC, the “Developers”) within the District may be at a competitive disadvantage to the developer in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “DEVELOPMENT WITHIN THE DISTRICT.”

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. 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 District.

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. As illustrated in this Official Statement under “TAX DATA – Principal Taxpayers,” the District’s principal taxpayers in 2021 owned property located within the District which comprised approximately 14.66% of the District’s total 2021 assessed valuation. JDC owns approximately 1.65% of the District’s 2021 assessed valuation. In the event that the Developers, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking fund. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS,” “TAX DATA – Principal Taxpayers,” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Developer Under No Obligation to the District: The Developers have informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers’ right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see “TAX DATA – Principal Taxpayers”) and their affiliates for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on their collective and respective ability to pay taxes. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS” and “DEVELOPMENT WITHIN THE DISTRICT.”

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major

determinant of the ability or willingness of property owners within the District to pay their taxes. The 2021 assessed valuation of property located within the District is \$100,064,994, the 2022 preliminary assessed valuation of property located within the District is \$244,453,551, and the estimate of assessed valuation of property located within the District as of February 1, 2022, is \$252,387,228 (see "TAX DATA").

After issuance of the System Bonds, the maximum annual debt service requirement on the Outstanding System Bonds (herein defined) and the System Bonds will be \$916,300 (2045) and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds will be \$834,701 (2022-2046). Assuming no decrease to the District's 2021 assessed valuation, debt service tax rates of \$0.97 and \$0.88 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively. Assuming no decrease to the District's 2022 preliminary assessed valuation, debt service tax rates of \$0.40 and \$0.36 per \$100 of preliminary assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively. Assuming no decrease from the District's estimated assessed valuation as of February 1, 2022, debt service tax rates of \$0.39 and \$0.35 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively.

After issuance of the Road Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds (herein defined) and the Road Bonds will be \$394,725 (2045) and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be \$369,985 (2022-2046). Assuming no decrease to the District's 2021 assessed valuation, debt service tax rates of \$0.42 and \$0.39 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively. Assuming no decrease to the District's 2022 preliminary assessed valuation, debt service tax rates of \$0.17 and \$0.16 per \$100 of preliminary assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively. Assuming no decrease from the District's estimated assessed valuation as of February 1, 2022, debt service tax rates of \$0.17 and \$0.16 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interest 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the

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

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, enters an order granting relief from the stay or dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

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 area ("HGB area") – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 ("the 1997 Ozone Standards"); the tighter, 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 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 ozone nonattainment area under the the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ’s “redesignation substitute” for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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 “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. 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 90 contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On July 30, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." Due to existing and possible future litigation and regulatory action, there remains uncertainty

regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Potential Impact of Natural Disaster

The District is located approximately 95 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, 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 District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation of the District or an increase in the District’s tax rates.

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 District 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 will not sustain damage from such natural disasters.

Dependence on the Oil and Gas Industry

Recently, unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a key segment of the nation’s oil trading. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19.” Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

Infectious Disease Outlook – COVID 19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Since such time, COVID-19 negatively affected commerce, travel, and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Declines on the Houston Area

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

Marketability

The District has no understanding with the Initial Purchasers 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 difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the District to comply with such covenants contained in the Bond Resolutions 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

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 "RATINGS."

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 or the Initial Purchasers 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.

Future Debt

After the issuance of the Bonds, the District will have \$122,840,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the “System”) and for the purpose of refunding such bonds, \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”) and for the purpose of refunding such bonds, and \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the “Park System”) and for the purpose of refunding such bonds will remain authorized but unissued (see “THE BONDS – Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. If additional 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.

Following the issuance of the Bonds, the District will owe the Developers approximately \$2,115,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

Annexation by and Strategic Partnership Agreement with the City

The District lies within the extraterritorial jurisdiction of the City and may be annexed by the City under certain circumstances. Under general law, with certain exceptions, annexation of land by the City is subject to three procedures that allow for annexation: (i) on request of a landowner; (ii) for areas with a population of less than 200, by petition of voters and, if voter petitioners do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area; or (iii) for areas with a population of 200 or more, by election of voters and, if voters do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area. However, the foregoing provisions do not apply to areas that are subject to a Strategic Partnership Agreement under Section 43.0751, Texas Local Government Code.

The District and the City entered into a Strategic Partnership Agreement (the “Agreement”) to establish the conditions of annexation. Under the Agreement, the City has the right to annex the District for “limited purposes,” specifically for the levy of the City’s sales and use tax within the District’s boundaries. The limited purpose annexation shall be converted to a full purpose annexation upon the earlier of the following dates: (i) the date on which all of the debt of the District that is payable from ad valorem taxes is fully paid and the District has fully reimbursed any developers within the District in accordance with any written reimbursement agreement or (ii) December 31, 2037. On the full purpose annexation date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City. If debt of the District remains outstanding on the full purpose annexation date or if the District has not fully reimbursed any developers within the District in accordance with any written reimbursement agreement, then the District shall become a “limited district.” The “limited district” shall continue to be known as Montgomery County Municipal Utility District No. 121 and shall continue for a term not to exceed ten years or until all outstanding debt (including reimbursement obligations) of the limited district has been fully paid. The City may extend the existence of the limited district for successive ten year terms for so long as any debt of the limited district remains. The powers of the “limited district” are restricted to the levy and collection of ad valorem taxes sufficient to meet the outstanding debt service requirements. The “limited district” ceases to exist 60 days after all debt is paid at which time title to all assets and improvements formerly owned by the District vests in the City.

Annexation of property by the City is a policy-making matter within the discretion of the governing body of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more districts, although no consolidation is presently contemplated by the District.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Road Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Road Bonds, the project, nor the feasibility of the District will be reviewed, considered, or approved by the TCEQ with respect to the Road Bonds.

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.

THE BONDS

General

The Bonds are dated June 1, 2022. Interest accrues from the initial date of delivery (on or about June 21, 2022) and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover. Interest on the Bonds will be paid on March 1, 2023, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of 12 30-day months. The Bonds will be issued in fully registered form only, without coupons, in 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 Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar").

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 "Record Date" (the 15th calendar day of the month next preceding each interest payment 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 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 (the "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 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.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2027, 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 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.

Mandatory Redemption

The System Bonds maturing on September 1 in the years 2033, 2035, 2037, 2039, 2041, and 2046 are term bonds (the “System Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the System Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$605,000 System Term Bonds Maturing on September 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$ 295,000
September 1, 2033 (Maturity)	\$ 310,000

\$655,000 System Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 320,000
September 1, 2035 (Maturity)	\$ 335,000

\$715,000 System Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 350,000
September 1, 2037 (Maturity)	\$ 365,000

\$775,000 System Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 380,000
September 1, 2039 (Maturity)	\$ 395,000

\$845,000 System Term Bonds Maturing on September 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 415,000
September 1, 2041 (Maturity)	\$ 430,000

\$2,450,000 System Term Bonds Maturing on September 1, 2046

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$ 450,000
September 1, 2043	\$ 470,000
September 1, 2044	\$ 490,000
September 1, 2045	\$ 510,000
September 1, 2046 (Maturity)	\$ 530,000

The Road Bonds maturing on September 1 in the years 2031, 2033, 2035, and 2046 are term bonds (the "Road Term Bonds," and together with the System Term Bonds, the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the System Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

\$285,000 Road Term Bonds Maturing on September 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2030	\$ 140,000
September 1, 2031 (Maturity)	\$ 145,000

\$310,000 Road Term Bonds Maturing on September 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$ 150,000
September 1, 2033 (Maturity)	\$ 160,000

\$335,000 Road Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 165,000
September 1, 2035 (Maturity)	\$ 170,000

\$2,445,000 Road Term Bonds Maturing on September 1, 2046

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 180,000
September 1, 2037	\$ 185,000
September 1, 2038	\$ 195,000
September 1, 2039	\$ 205,000
September 1, 2040	\$ 210,000
September 1, 2041	\$ 220,000
September 1, 2042	\$ 230,000
September 1, 2043	\$ 240,000
September 1, 2044	\$ 250,000
September 1, 2045	\$ 260,000
September 1, 2046 (Maturity)	\$ 270,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as

more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolutions. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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 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 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.

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.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolutions 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.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form, and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of Texas; the County; the City; or any other political subdivision or any entity other than the District.

Payment Record

The District has never defaulted in the payment of the principal and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."

Authority for Issuance

The System Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System and the Road Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of \$136,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds, \$50,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds, and \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds.

The System Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8211 of the Texas Special District Local Laws Code; the System Bond Resolution adopted by the Board; and an election held within the boundaries of the District on November 7, 2017.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas; including Article III, Section 52 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8211, Texas Special District Local Laws Code, as amended; the Road Bond Resolution adopted by the Board; and an election held within the boundaries of the District on November 7, 2017.

Short-Term Debt

In connection with the System Bonds, the District issued its \$4,500,000 Bond Anticipation Note, Series 2021 (the "BAN"), dated September 30, 2021. The BAN accrues interest at a rate of 1.010% per year (computed on the basis of a 365-day year and the actual days elapsed) and matures on September 29, 2022.

Outstanding Bonds

The following bonds have previously been issued by the District for the purpose of acquiring or constructing the System: \$5,920,000 Unlimited Tax Bonds, Series 2021 (the "Outstanding System Bonds"). The following bonds have previously been issued for the purpose of acquiring or constructing the Road System: \$1,880,000 Unlimited Tax Road Bonds, Series 2021 (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). As of delivery of the Bonds, \$7,800,000 principal amount of such debt will remain outstanding.

Issuance of Additional Debt

The District may issue additional bonds. Following the issuance of the Bonds, \$122,840,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds, \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds, and \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds will remain authorized but unissued.

Following the issuance of the Bonds, the District will owe the Developers approximately \$2,115,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing parks and recreational, and System, facilities, and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event

of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolutions provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) 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.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC 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 fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its 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 ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or 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 District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 District may decide to discontinue use of the system of book-entry-only 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 DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this 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 of this Official Statement 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 Resolutions will be given only to DTC.

USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS

Proceeds from the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse JDC (herein defined) for a portion of the improvements and related costs shown below. Additionally, proceeds from the System Bonds will also be used to reimburse JDC for the improvements and related costs that were not reimbursed by the BAN, to pay developer interest, to pay developer advances, to pay creation costs, to pay market study costs, to pay BAN interest, to pay capitalized interest and to pay other certain costs associated with the issuance of the BAN and the System Bonds, as shown on the following page.

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
A. Developer Items	
1. Noble Greens Section 1 – WW & D	\$ 597,469
2. Noble Greens Section 1 – C & G	31,211
3. Woodforest Section 68 – WW & D	439,613
4. Woodforest Section 68 – C & G	9,973
5. Woodforest Section 78 – WW & D	244,826
6. Woodforest Section 83 – WW & D	48,280
7. Woodforest Section 84 – WW & D	209,836
8. Woodforest Section 85 – WW & D	341,504
9. Woodforest Section 89 – WW & D	97,361
10. Woodforest Section 92 – WW & D	225,789
11. Woodforest Section 104 – WW & D	135,982
12. Woodforest Section 104 – C & G	10,753
13. Woodforest Section 106 – WW & D	211,607
14. Woodforest Section 106 – C & G	16,675
15. Noble Greens Section 2 – WW & D	112,816
16. Woodforest Section 87 – WW & D	254,004
17. Engineering, Geotechnical, materials testing (Items 1-16)	<u>988,827</u>
Total Developer Items	<u>\$ 3,976,526</u>
B. District Items	
1. Central Pine Street – WW & D	\$ 1,041,657
2. Central Pine Street – C & G	36,830
3. Lift Station No. 6	344,468
4. Lift Station No. 6 – C & G	5,800
5. Engineering, Geotechnical, materials testing (Items 1-4)	254,530
6. Capital Recovery Payments Regional WWTP, Lift Stations, and Detention Facilities	<u>775,232</u>
Total District Items	<u>\$ 2,458,517</u>
TOTAL CONSTRUCTION COSTS (78.86% of BIR)	<u>\$ 6,435,043</u>
 <u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 193,200
B. Fiscal Agent Fees	163,200
C. Interest Costs	
1. Capitalized Interest	285,600
2. Developer Interest	308,361
3. BAN Interest	32,873
D. Bond Discount	243,983
E. Bond Issuance Expense	67,580
F. Bond Application Report Cost	45,000
G. BAN Issuance Expenses	101,306
H. Developer Advances	241,900
I. Attorney General Fee (0.10%)	8,160
J. TCEQ Bond Issuance Fee (0.25%)	20,400
K. Contingency (a)	<u>13,393</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 1,724,957</u>
TOTAL SYSTEM BOND ISSUE REQUIREMENT	<u>\$ 8,160,000</u>

(a) Represents the difference between the estimated and actual amounts of BAN Interest and Bond Discount.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the System Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses authorized under the applicable rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

USE AND DISTRIBUTION OF ROAD BOND PROCEEDS

Proceeds from the sale of the Road Bonds will be used to reimburse JDC and Tri Pointe for the improvements and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the Road Bonds, as shown below.

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
A. Proposed Road Improvement Costs	\$ 3,618,573
TOTAL CONSTRUCTION COSTS	<u>\$ 3,618,573</u>
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 113,600
B. Fiscal Agent Fees	83,600
C. Interest Costs	
1. Capitalized Interest (6 months)	93,100
2. Developer Interest	96,305
D. Bond Discount	124,924
E. Bond Issuance Expense	27,067
F. Engineering Report Expense	12,000
G. Attorney General Fee (0.10%)	4,180
H. Contingency (a)	6,551
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 561,427</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 4,180,000</u>

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest and Bond Discount.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the District's auditor.

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 District cannot and does not guarantee the sufficiency of such funds for such purposes.

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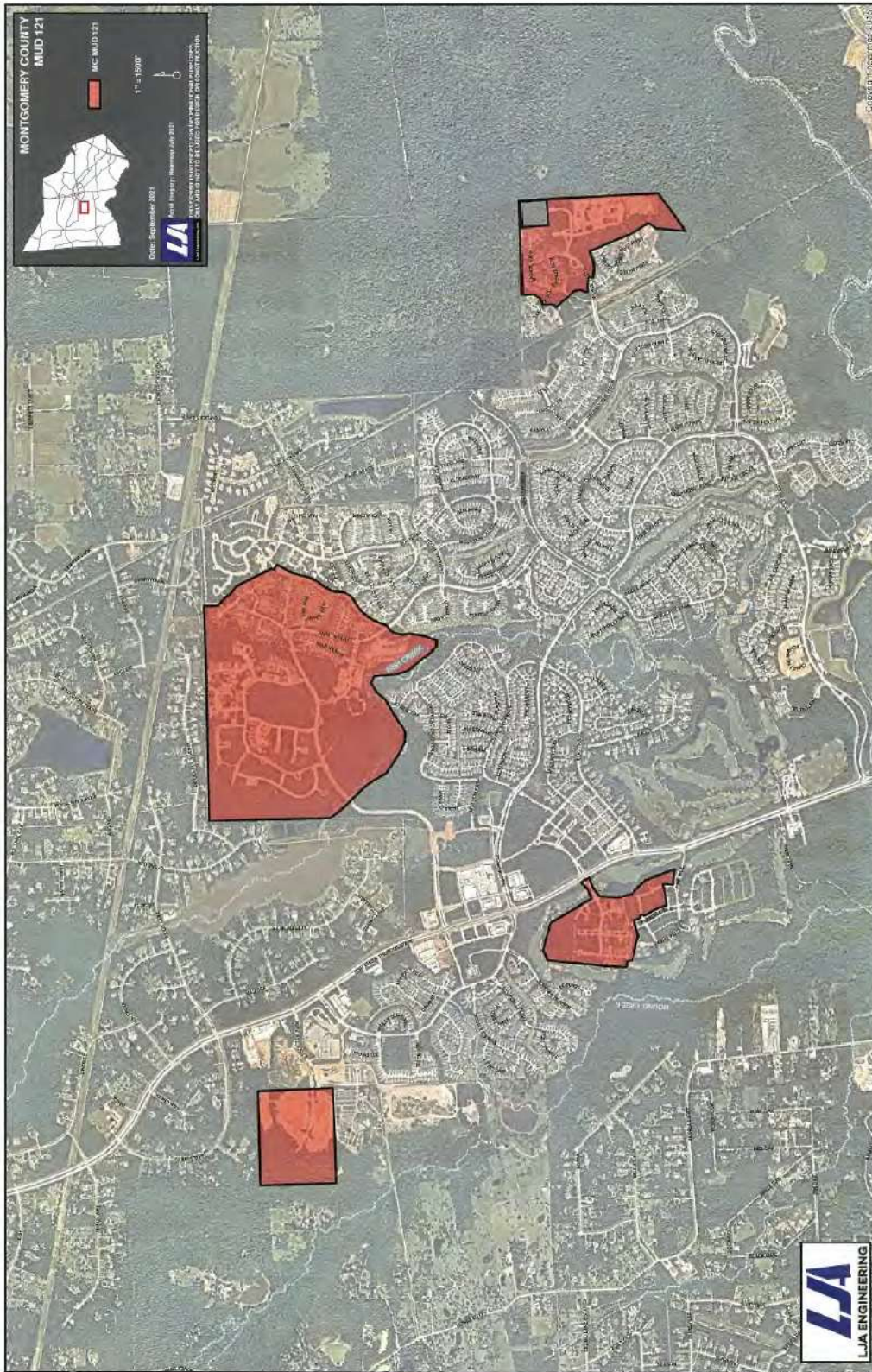
**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(March 2022)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(March 2022)**



LOCATION MAP



THE DISTRICT

General

The District is a political subdivision of Texas, operating as a municipal utility district pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and Chapter 8211 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority, and functions conferred by the laws of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered to finance certain road improvements, as long as they meet the County or City criteria for a thoroughfare, arterial, or collector road. The District may also provide solid waste collection and disposal service and operate, maintain, and construct recreational facilities.

The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. However, fire protection service in the District is provided by Montgomery County Emergency Services District No. 3 (“ESD No. 3”), which has constructed a fire station in the District. ESD No. 3 levies an ad valorem tax separate and apart from the District. See “TAX DATA – Estimated Overlapping Taxes.” The District is subject to the continuing supervision of the TCEQ.

Location

The District is located in the central region of the County, approximately 38 miles northwest of downtown Houston, and is located entirely within the extraterritorial jurisdiction of the City. The District lies approximately 6.5 miles west of Interstate Highway 45 and approximately 4 miles north of FM 1488. The District is generally bordered on the north by existing Ridge Lake Shores Development, on the east by Fish Creek, on the south by Lake Creek and on the west by Mound Creek. See “LOCATION MAP.”

Management of the District

- Board of Directors -

The District is governed by the Board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held within the District on the second Saturday in May in each even numbered year. All directors own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
James Pell	President	2026
Vicki Fullerton	Vice President	2024
Sandi LaPlant	Secretary/Treasurer	2024
William Bleibdrey	Assistant Vice President	2026
Jeff Beard	Assistant Secretary	2026

- Consultants -

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Montgomery Central Appraisal District (the “Appraisal District”). The Tax Assessor/Collector for the District is Assessments of the Southwest, Inc.

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

Engineer – The District’s consulting engineer is LJA Engineering, Inc.

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 prepared by McGrath & Co., PLLC for the fiscal year ending May 31, 2021, is included as “APPENDIX A” to this Official Statement.

Financial Advisor – Robert W. Baird & Co., Incorporated 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 in this Official Statement.

Bond & General Counsel – The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, 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 contingent upon the sale and delivery of the Bonds. The Muller Law Group, PLLC, Sugar Land, Texas, also serves as the District’s general counsel.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP, Houston, 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.

THE DEVELOPERS AND PRINCIPAL LANDOWNERS

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 developer 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 Developers and Principal Landowners

JDC, a Texas corporation, is the main developer in the District. Its president is Michael Smith of Johnson Development Corp. JDC currently owns approximately 178.34 acres in the District.

In October 2020, Tri Pointe, a Texas Corporation, purchased approximately 52.27 acres of land which was subsequently annexed into the District. Of such acreage, approximately 21.65 has been developed for single family residential purposes and is being marketed as Stewart Heights at Woodforest (96 lots).

Development Financing

In April 2007, JDC and Woodforest Partners, LP., a Texas Limited Partnership (“WPLP”), obtained a revolving credit development loan for the Woodforest project from Woodforest National Bank. The loan, which was modified in September 30, 2020, may have a maximum principal balance of \$14,000,000, bears interest at

1.00% over the Wall Street Journal Prime Rate and matures on September 30, 2023. The loan is secured by a first lien deed of trust on approximately 2,800 acres within the Woodforest project, owned by JDC and WPLP. The outstanding balance on the loan as of February 1, 2022, was approximately \$1,900,000. According to JDC, the borrowers are in compliance with all material conditions of the loan.

In August 2006, JDC and WPLP obtained a \$41,340,400 mezzanine loan from Residential Funding Corporation (“RFC”) to finance the acquisition of the property within the Woodforest project. This loan was sold by RFC to FC Houston Note, LLC and modified simultaneously with the modification of the Woodforest National Bank development loan to extend the term of the loan until the earlier of the sale of all property within the Woodforest project or December 31, 2026. This loan is fully funded and no additional borrowings are permitted. According to JDC, the borrowers are in compliance with all material conditions of this loan. In August 2012, FC Houston Note, LLC sold the loan to JP Woodforest, LP.

In addition to the loans described above, simultaneously with the modification of the Woodforest National Bank development loan and the modification of the mezzanine loan now owned by JP Woodforest, LP, JDC and WPLP obtained a \$9,800,000 loan from Woodforest Second Lien Holder, LP (“Woodforest Second Lien Holder”), the proceeds of which were used primarily to pay down the principal balance of the Woodforest National Bank loan. This loan is secured by a deed of trust lien on the property within the Woodforest project subordinate to the liens which secure the Woodforest National Bank loan, bears interest at the rate of 10% per annum and has a maturity date of the earlier of the sale of all property within the Woodforest project or December 31, 2026. This loan is fully funded and no additional borrowings are permitted. The principal balance of the loan was paid off in January 2015, but there are continuing participations to be paid based upon further cash flows. According to JDC, the borrowers are in compliance with all material conditions of this loan. The partners of Woodforest Second Lien Holder are entities affiliated with The Johnson Development Corp. and PAR Real Estate Holdings, LLC, a Houston area investor group and an affiliate of Woodforest National Bank.

Lot Sales Contracts

JDC has entered into current lot sales contracts with the following homebuilders: TriPointe Homes, Huntington Homes, Highland Homes, Ltd., Lennar Homes, Perry Homes, Chesmar Homes, and Westin Homes. The homebuilders have contracted to purchase 947 lots since the inception of the District. As of April 1, 2022, the homebuilders have purchased 891 of such lots. According to JDC, all of the homebuilders are in compliance with their respective lot sales contracts. JDC has entered into a lot sales contract with the custom home builder Tipler Design & Build in Pine Island at Woodforest Sections 3.

DEVELOPMENT WITHIN THE DISTRICT

To date, land within the District is being developed as the single-family subdivisions of Woodforest, Sections 67, 68, 74, 75, 76, 77, 78, 80, 81, 83, 84, 85, 87, 89, 90, 92, 101, 104, and 106; Pine Island, Section 3; and Noble Greens, Section 1 and Section 2 (aggregating approximately 204.80 acres and 832 single-family lots). As of March 1, 2022, the District consisted of 461 complete and occupied homes, 16 complete and unoccupied homes, 11 model homes, 183 homes under construction, and 161 vacant developed lots. The District contains approximately 153.57 undeveloped but developable acres and approximately 122.00 undevelopable acres.

WOODFOREST

Currently, all residential development within Woodforest has occurred within the District and Montgomery County Municipal Utility District No. 113. Within Woodforest, JDC has constructed 10 parks and open playgrounds; an approximately 14-mile trail system; 5 fountains; 4 lakes; a baseball field; 3 soccer fields; a dog park; a multi-sport sportsplex center; a driving range; 27-hole golf course, including a renovated clubhouse; and a nature park. JDC has also constructed Forest Island, a 20-acre recreational facility that includes a 6,500 square foot resort-style pool; a 10,000 square foot pool deck; a 5-lane lap pool; 2 water slides; a basketball court; a 5,000 square foot splash pad; 6 tennis courts; restroom facilities; a playground area; and a food vending area. There is also a member-only 10,000 square foot clubhouse for the Bonterra at Woodforest Active-Adult Community. In addition, Conroe Independent School District has constructed an elementary school within Woodforest. Fire protection service within Woodforest is provided by Montgomery County Emergency Services District No. 3, which has constructed a fire station within Woodforest. The Church at Woodforest, hosted financially by The Woodlands United Methodist Church, has occupied its Phase I - 19,000 square foot worship center. Other Retail/Commercial development includes 92,947 square feet of mixed-use development, with an additional 181,250 square feet of mixed-use retail in construction.

DISTRICT DEBT

System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding System Bonds, plus the principal and interest requirements for the System Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding System Debt Service (a)	The System Bonds			
		Principal	Interest	Total New Debt Service	Total System Debt Service
2022	\$ 235,913	\$ -	\$ -	\$ -	\$ 235,913
2023	309,625	140,000	428,388	568,388	878,013
2024	312,200	215,000	349,550	564,550	876,750
2025	309,325	220,000	335,575	555,575	864,900
2026	306,225	230,000	321,275	551,275	857,500
2027	302,900	240,000	306,325	546,325	849,225
2028	304,350	250,000	290,725	540,725	845,075
2029	300,350	260,000	280,725	540,725	841,075
2030	304,200	275,000	270,325	545,325	849,525
2031	304,900	285,000	259,325	544,325	849,225
2032	310,500	295,000	247,925	542,925	853,425
2033	310,900	310,000	236,125	546,125	857,025
2034	316,200	320,000	223,725	543,725	859,925
2035	321,300	335,000	210,925	545,925	867,225
2036	321,200	350,000	197,525	547,525	868,725
2037	326,000	365,000	183,525	548,525	874,525
2038	330,600	380,000	168,925	548,925	879,525
2039	335,000	395,000	153,725	548,725	883,725
2040	339,200	415,000	137,925	552,925	892,125
2041	343,200	430,000	121,325	551,325	894,525
2042	347,000	450,000	104,125	554,125	901,125
2043	350,600	470,000	85,000	555,000	905,600
2044	359,000	490,000	65,025	555,025	914,025
2045	362,100	510,000	44,200	554,200	916,300
2046	-	530,000	22,525	552,525	552,525
Total	\$ 7,662,788	\$ 8,160,000	\$ 5,044,738	\$ 13,204,738	\$ 20,867,525

(b) Outstanding debt as of the delivery of the System Bonds.

Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2022-2046).....	\$ 834,701
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2045)	\$ 916,300

Road Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Road Bonds, plus the principal and interest requirements for the Road Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Road Debt Service (a)	The Road Bonds		Total New Debt Service	Total Road Debt Service
		Principal	Interest		
2022	\$ 76,375	\$ -	\$ -	\$ -	\$ 76,375
2023	95,275	70,000	222,644	292,644	387,919
2024	97,800	110,000	182,900	292,900	390,700
2025	95,400	115,000	177,400	292,400	387,800
2026	93,000	120,000	171,650	291,650	384,650
2027	96,800	125,000	165,650	290,650	387,450
2028	95,500	130,000	159,400	289,400	384,900
2029	94,200	135,000	152,900	287,900	382,100
2030	97,900	140,000	146,150	286,150	384,050
2031	96,500	145,000	139,150	284,150	380,650
2032	100,100	150,000	131,900	281,900	382,000
2033	98,600	160,000	126,463	286,463	385,063
2034	102,100	165,000	120,663	285,663	387,763
2035	100,500	170,000	112,413	282,413	382,913
2036	98,900	180,000	103,913	283,913	382,813
2037	102,300	185,000	96,263	281,263	383,563
2038	100,600	195,000	88,400	283,400	384,000
2039	103,900	205,000	80,113	285,113	389,013
2040	107,100	210,000	71,400	281,400	388,500
2041	105,200	220,000	62,475	282,475	387,675
2042	108,300	230,000	53,125	283,125	391,425
2043	106,300	240,000	43,350	283,350	389,650
2044	109,300	250,000	33,150	283,150	392,450
2045	112,200	260,000	22,525	282,525	394,725
2046	-	270,000	11,475	281,475	281,475
Total	\$ 2,394,150	\$ 4,180,000	\$ 2,675,469	\$ 6,855,469	\$ 9,249,619

(a) Outstanding debt as of the delivery of the Road Bonds.

Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022-2046).....	\$ 369,985
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2045)	\$ 394,725

DISTRICT FINANCIAL DATA

2021 Assessed Valuation	\$ 100,064,994 (a)
(100% of the taxable value as of January 1, 2021)	
2022 Preliminary Assessed Valuation	\$ 244,453,551 (b)
(100% of the taxable value as of January 1, 2022)	
Estimate of Assessed Valuation as of February 1, 2022	\$ 252,387,228 (c)
(100% of the estimated taxable value as of February 1, 2022)	
Direct Debt:	
The Outstanding Bonds (As of delivery of the Bonds)	\$ 7,800,000
The System Bonds	8,160,000
The Road Bonds	<u>4,180,000</u>
Total Direct Debt	<u>\$ 20,140,000</u>
Estimated Overlapping Debt	<u>\$ 8,763,082</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 28,903,082</u>
Direct Debt Ratios as a Percentage of:	
The 2021 Assessed Valuation (\$100,064,994)	20.13 %
The 2022 Preliminary Assessed Valuation (\$244,453,551)	8.24 %
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	7.98 %
Direct and Estimated Overlapping Debt Ratios as a Percentage of:	
The 2021 Assessed Valuation (\$100,064,994)	28.88 %
The 2022 Preliminary Assessed Valuation (\$244,453,551)	11.82 %
The Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	11.45 %
System Construction Fund Balance (as of March 21, 2022)	\$ 271,836
Road Construction Fund Balance (as of March 21, 2022)	\$ 9,978
Operating Fund Balance (as of March 21, 2022)	\$ 616,891
System Debt Service Fund Balance (as of March 21, 2022)	\$ 245,431 (d)
Road System Debt Service Fund Balance (as of March 21, 2022)	\$ 100,955 (e)

-
- (b) Represents the assessed valuation of all taxable property within the District as of January 1, 2021, provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Represents the preliminary determination of the assessed valuation of all taxable property within the district as of January 1, 2022, provided by the Appraisal District. This valuation is subject to protest by the owners of taxable property in the District. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (d) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of February 1, 2022, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2021, through February 1, 2022. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (e) Neither Texas Law nor the System Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the System Bonds, not the Outstanding Road Bonds or the Road Bonds. Upon closing and delivery of the System Bonds, capitalized interest will be deposited into the System Debt Service Fund.
- (f) Neither Texas Law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds and the Road Bonds, not the Outstanding System Bonds or the System Bonds. Upon closing and delivery of the Road Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund.

Unlimited Tax Bonds Authorized but Unissued

Election Date	Purpose	Authorized	Issued to Date	Unissued
11/07/17	Water, Wastewater, Drainage	\$ 136,920,000	\$ 14,080,000 (a)	\$ 122,840,000
11/07/17	Road	\$ 50,160,000	\$ 6,060,000 (b)	\$ 44,100,000
11/07/17	Parks	\$ 28,980,000	\$ -	\$ 28,980,000

(a) Includes the System Bonds.

(b) Includes the Road Bonds.

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "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 Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. 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 fund investment pools rated in the highest rating category by a nationally recognized rating service.

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.

Taxing Jurisdiction	Outstanding Debt as of April 30, 2022	Estimated Overlapping	
		Percent	Amount
Montgomery County	\$ 464,200,000	0.23%	\$ 1,077,344
Montgomery Independent School District	310,045,000	1.30%	4,021,417
Conroe Independent School District	1,462,395,000	0.23%	3,394,018
Lone Star College District	643,940,000	0.04%	<u>270,303</u>
Total Estimated Overlapping Debt			<u>\$ 8,763,082</u>
The District			<u>\$ 20,140,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 28,903,082</u> (a)

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

	<u>Direct Debt (a)</u>	<u>Direct and Estimated Overlapping Debt (a)</u>
2021 Assessed Valuation (\$100,064,994)	20.13%	28.88%
2022 Preliminary Assessed Valuation (\$244,453,551)	8.24%	11.82%
Estimate of Assessed Valuation as of February 1, 2022 (\$252,387,228)	7.98%	11.45%

(a) Includes the Bonds and the Outstanding Bonds.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolutions to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, in an amount not to exceed \$1.25 per \$100 of assessed valuation for operation and maintenance purposes and \$0.25 for road facilities maintenance. The District levied a 2020 tax rate of \$0.99 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.25 per \$100 of assessed valuation.
Road Facilities Maintenance:	\$0.25 per \$100 of assessed valuation.

Debt Service Tax

The District maintains a separate debt service fund for the Outstanding System Bonds and the System Bonds (the "System Debt Service Fund"). Funds in the System Debt Service Fund are not available to pay principal or interest on the Outstanding Road Bonds or the Road Bonds. The District maintains a separate debt service fund for the Outstanding Road Bonds and the Road Bonds (the "Road Debt Service Fund"). Funds in the Road Debt Service Fund are not available to pay principal or interest on the Outstanding System Bonds or the System Bonds.

For the 2021 tax year, the District levied a system debt service tax of \$0.27 per \$100 of assessed valuation and a road debt service tax of \$0.09 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for maintenance and operations purposes.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On November 7, 2017, the Board was authorized to levy such maintenance and operations tax in an amount not to exceed \$1.25 per \$100 of assessed valuation and a road facilities maintenance tax not to exceed \$0.25 per \$100 of assessed valuation. The District levied a maintenance and operations tax for the 2021 tax year at the rate of \$0.63 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

Tax Exemption

To date, the District has not adopted an exemption from ad valorem taxation of approved value of residence homestead of individuals who are disabled or are 65 years of age or older, or a general residential homestead exemption. See "TAXING PROCEDURES."

Additional Penalties

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

Historical Collections

The following table illustrates the collection history of the District for the 2018–2021 tax years:

Tax Year	Assessed Valuation	Tax Rate Per \$100	Adjusted Levy	% Collections Current Year	Fiscal Year Ending 5/31	% Collections as of 03/31/2022
2018	\$ 77,220	\$ 0.99	\$ 764	100.00%	2019	100.00%
2019	2,452,480	0.99	24,280	99.29%	2020	100.00%
2020	33,293,887	0.99	329,609	99.79%	2021	99.92%
2021	100,064,994	0.99	990,643	94.59% (a)	2022	94.59% (a)

(a) In process of collections.

Tax Rate Distribution

	2021	2020	2019	2018
System Debt Service	\$0.270	\$0.000	\$0.000	\$0.000
Road Debt Service	0.090	0.000	0.000	0.000
Maintenance	<u>0.630</u>	<u>0.990</u>	<u>0.990</u>	<u>0.990</u>
	<u>\$0.990</u>	<u>\$0.990</u>	<u>\$0.990</u>	<u>\$0.990</u>

Analysis of Tax Base

The following table illustrates the District's total taxable assessed valuation for the 2018–2021 tax years by type of property.

Type of Property	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$ 33,863,040	\$ 16,313,080	\$ 4,615,290	\$ 2,401,970
Improvements	69,397,730	18,720,180	-	-
Personal Property	337,781	313,198	-	-
Exemptions	<u>(3,533,557)</u>	<u>(2,052,571)</u>	<u>(2,162,810)</u>	<u>(2,324,750)</u>
Total	<u>\$ 100,064,994</u>	<u>\$ 33,293,887</u>	<u>\$ 2,452,480</u>	<u>\$ 77,220</u>

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2021:

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll
Highland Homes Houston LLC	Land & Improvements	\$ 3,004,477
Perry Homes LLC	Land & Improvements	2,797,037
Sanders Custom Builder Houston LLC	Land & Improvements	1,873,350
Woodforest Development Inc. (a)	Land & Improvements	1,648,630
Chesmar Homes LLC	Land & Improvements	1,625,760
Westin Homes & Properties LP	Land & Improvements	1,071,030
Homeowner	Land & Improvements	684,940
Homeowner	Land & Improvements	667,110
Homeowner	Land & Improvements	652,440
Homeowner	Land & Improvements	<u>645,940</u>
Total		<u>\$14,670,714</u>
<p style="margin-left: 40px;">% of Respective Tax Roll</p>		<u>14.66%</u>

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 assessed valuation of \$100,064,994, the 2022 preliminary assessed valuation of \$244,453,551, or the estimate of assessed valuation as of February 1, 2022, of \$252,387,228. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Outstanding System Bonds		
and the System Bonds (2022-2046).....		\$ 834,701
System Tax Rate of \$0.88 on the 2021 Assessed Valuation		\$ 836,543
System Tax Rate of \$0.36 on the 2022 Preliminary Assessed Valuation		\$ 836,031
System Tax Rate of \$0.35 on the Estimated Assessed Valuation as of February 1, 2022		\$ 839,188
Maximum Annual Debt Service Requirement on the Outstanding System Bonds		
and the System Bonds (2045).....		\$ 916,300
System Tax Rate of \$0.97 on the 2021 Assessed Valuation		\$ 922,099
System Tax Rate of \$0.40 on the 2022 Preliminary Assessed Valuation		\$ 928,923
System Tax Rate of \$0.39 on the Estimated Assessed Valuation as of February 1, 2022		\$ 935,095
Average Annual Debt Service Requirement on the Outstanding Road Bonds		
and the Road Bonds (2022-2046).....		\$ 369,985
Road Tax Rate of \$0.39 on the 2021 Assessed Valuation.....		\$ 370,741
Road Tax Rate of \$0.16 on the 2022 Preliminary Assessed Valuation.....		\$ 371,569
Road Tax Rate of \$0.16 on the Estimated Assessed Valuation as of February 1, 2022		\$ 383,629
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds		
and the Road Bonds (2045)		\$ 394,725
Road Tax Rate of \$0.42 on the 2021 Assessed Valuation.....		\$ 399,259
Road Tax Rate of \$0.17 on the 2022 Preliminary Assessed Valuation.....		\$ 394,792
Road Tax Rate of \$0.17 on the Estimated Assessed Valuation as of February 1, 2022		\$ 407,605

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. 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 the District 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 the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA - Estimated Direct and Overlapping Debt Statement"), 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.

Set forth below is an estimation of all 2021 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other charges made by entities other than political subdivisions.

Taxing Jurisdiction	2021 Tax Rate Per \$100 of A.V.	
	Conroe ISD	Montgomery ISD
The District	\$0.99000	\$0.99000
Montgomery County	0.41000	0.41000
Montgomery County Hospital District	0.05670	0.05670
Montgomery ISD	---	1.26000
Conroe ISD	1.17600	---
Lone Star College District	0.10780	0.10780
Montgomery County ESD No. 3	<u>0.10000</u>	<u>0.10000</u>
Total Tax Rate	<u>\$2.84050</u>	<u>\$2.92450</u>

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy two (2) separate annual ad valorem taxes on all taxable property within the District in amounts sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-wide Appraisal District

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, manufactured homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned

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

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

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District does not grant a residential homestead exemption at this time.

Freeport Goods 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 not later than 175 days after the person acquired or imported the property into the State.

A "Goods-in-Transit" Exemption is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas.

A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes and a 5% annual interest for the previous three years for agricultural use, open space land and timberland.

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

Effective January 1, 2020, Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in governor-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I - at least 15%, but less than 30% (minimal damage), Level II - at least 30%, but less than 60% (nonstructural damage), Level III - at least 60%, but less than 100% (significant structural damage), or Level IV - 100% (total loss). The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage (Level I - 15%, Level II - 30%, Level III - 60%, and Level IV - 100%), which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the 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 District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% of the amount of the delinquent tax regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid.

The Property Tax Code makes provisions for the split payment of taxes and discounts for early payment under certain circumstances which, at the option of the District, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Certain qualified taxpayers, including 1) owners of residential homesteads or certain properties used for residential purposes, located in a disaster or emergency area and which has been damaged by the disaster or emergency, and 2) certain qualified business entities that own or lease real and/or tangible property, located in a disaster or emergency area and which has been damaged by the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District on taxes imposed on the property prior to the first anniversary of the disaster or emergency if the business entity pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments before the first day of the sixth month after the delinquency date.

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

Effective September 1, 2019, a property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1)

the person is discharged from active military service, (2) the person returns to the state for more than 10 days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

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

Other Districts

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

The District

For the 2021 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA – Estimated Overlapping Taxes." A tax lien on real

property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. In the absence of federal law, the District's tax lien takes priority over a tax lien of the United States. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property that was used as the residence homestead of the owner, certain land designated for agricultural use, or a mineral interest sold at a tax sale to a purchaser other than a taxing unit within two years of the date on which the purchaser's deed at the foreclosure sale is filed in the county records. For all other real property, a taxpayer may redeem the property not later than the 180th day following the date on which the purchaser's or taxing unit's deed is filed for record. See "INVESTMENT CONSIDERATIONS - General" and "Tax Collections and Foreclosure Remedies."

The District's ability to attach or foreclose a tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

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THE SYSTEM

General

The wastewater treatment and conveyance system, the purchase, acquisition, and construction of which has been financed by the District with the proceeds of the Bonds, has been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the wastewater treatment and conveyance system has been approved by all governmental agencies, which have jurisdiction over the District.

Historical Operations of the System

The following is a schedule of revenues and expenditures associated with operations of the System. The figures below were obtained from the District's financial statements for the fiscal year ended May 31, 2021, a copy of which is included as "APPENDIX A" and reference to which is hereby made. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	Fiscal Year Ended May 31				
	2021	2020	2019	2018 (a)	2017 (a)
REVENUES:					
Sewer Service	\$ 94,004	\$ 32,743	\$ 959	\$ -	\$ -
Garbage Service	29,774	-	-	-	-
Property Taxes	322,809	23,673	764	-	-
Penalties and Interest	2,426	292	-	-	-
Sewer Connection and Inspection	70,805	29,645	6,820	-	-
Miscellaneous	4,048	970	10	-	-
Investment Earnings	112	36	7	8	37
TOTAL REVENUES	<u>\$ 523,978</u>	<u>\$ 87,359</u>	<u>\$ 8,560</u>	<u>\$ 8</u>	<u>\$ 37</u>
EXPENDITURES:					
Current Service Operations					
Purchased Services	\$ 86,073	\$ 44,744	\$ 16,605	\$ 56,254	\$ -
Professional Fees	97,711	139,326	120,512	5,738	37,261
Contracted Services	99,274	36,454	11,891	-	1,744
Repairs and Maintenance	12,118	5,152	1,879	-	-
Utilities	3,421	-	-	-	-
Administrative	33,075	16,660	19,277	28,300	6,314
Other	7,489	8,628	6,410	1,701	1,527
TOTAL EXPENDITURES	<u>\$ 339,161</u>	<u>\$ 250,964</u>	<u>\$ 176,574</u>	<u>\$ 91,993</u>	<u>\$ 46,846</u>
Revenues Over/(Under)					
Expenditures	\$ 184,817	\$ (163,605)	\$ (168,014)	\$ (91,985)	\$ (46,809)
Other Financing Sources/(Uses):					
Developer Advances	\$ 135,000	\$ 130,000	\$ 166,000	\$ 91,000	\$ 4,618
Internal Transfers	11,814	-	-	-	-
Net Change in Fund Balance	331,631	(33,605)	(2,014)	(985)	(42,191)
Beginning of year fund balance	(36,049)	(2,444)	(430)	555	42,746
End of year fund balance	<u>\$ 295,582</u>	<u>\$ (36,049)</u>	<u>\$ (2,444)</u>	<u>\$ (430)</u>	<u>\$ 555</u>

(a) Unaudited. The District did not meet TCEQ requirements requiring audited financial statements.

Description of the System

- Water Supply and Distribution -

All of the District's water is provided by MSEC Enterprises, Inc. ("MSEC") which holds the Certificate of Convenience and Necessity ("CCN") for the area of the District. Water supply and distribution serving the District is split with Montgomery County Municipal Utility District No. 113 ("MC MUD 113"). MSEC receives approximately 1.3 million gallons per day ("MGD") of surface water from the San Jacinto River Authority ("SJRA"). In addition to the surface water, MSEC owns and operates four water plants with a total of eight wells that serve the District, with a total capacity of 4.82 MGD, bringing the total capacity of the system to 6.12 MGD.

The District has purchased sufficient water capacity to serve 3,878 equivalent single-family connections ("ESFCs") from MSEC.

- Wastewater Treatment and Conveyance System -

Pursuant to the Amended and Restated Agreement for the Joint Construction and Operation of Regional Wastewater Collection and Treatment Facilities and Shared Drainage and Detention Facilities between MC MUD 113 and the District, MC MUD 113 provides wastewater treatment facilities to the District. MC MUD 113 operates the wastewater treatment plant ("WWTP"). MC MUD 113 recently completed construction of a 945,000 gallon per day permanent wastewater treatment plant. According to the design engineer, Brown & Gay Engineers, the plant has a current capacity of 0.945 MGD and can serve approximately 5,588 ESFCs, based on rated capacity (170 gpd/ESFC).

- Drainage -

Stormwater runoff from the District discharges directly into Fish Creek, Lake Creek or natural channels that tie into Mound Creek. Both Fish Creek and Mound Creek ultimately outfall into Lake Creek at the southern portion of the District which drains to the West Fork of the San Jacinto River.

- Roads -

The roads within the District vary in width in accordance with standards adopted by the City and the County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

Lone Star Groundwater Conservation District

On October 10, 2017, the Lone Star Groundwater Conservation District board of directors approved new recommendations for future increases in groundwater pumping in Montgomery County based upon the results of a three-year scientific study. Lone Star commissioned its "Strategic Water Resources Planning Study" in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 ("GMA 14"). As part of the study, Lone Star surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in Montgomery County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The board of directors' decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model "Run D" in the Final Report for Task 3 of the study as the Board's recommended model scenario. The board of directors also approved a recommendation that Lone Star's general manager and technical consultants present the results of the study, including the board's new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five years, with the current five-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four out of the five member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits Lone Star created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules Lone Star created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which Lone Star imposed on large groundwater producers, is outside of Lone

Star's authority under the Texas Water Code and is not valid. Under the ruling, Lone Star could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Lone Star board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court's ruling on October 2, 2018, it the District adopted new groundwater regulations on September 8, 2020 that repeal, supersede, and replace all previously adopted rules and regulatory plans of the District.

On January 6, 2022, the GMA 14 regional regulatory representative of the TWDB approved the proposed groundwater conservation regulatory goals of Lone Star. The adopted desired future condition ("DFC") provides "[i]n each county in GMA 14, no less than 70% median available drawdown remaining in 2080 or no more than an average of 1.0 additional foot of subsidence between 2009 and 2080." The next DFC will be completed no later than January 5, 2027. As a result of the approval on January 6, 2022, Lone Star expects to finalize a multi-phased subsidence study to research and determine how to manage subsidence countywide most effectively and to make a strategic plan to manage subsidence going forward.

Source: Lone Star Groundwater Conservation District Press Release:

<https://static1.squarespace.com/static/58347802cd0f6854e2f90e45/t/61d5d14a8bea055940b5cd29/1641402698539/1.5.22.LSGCD.DFC.pdf>

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of 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 in this Official Statement under "THE BONDS," "THE DISTRICT - General," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the 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 Material Adverse Change

The obligations of the Initial Purchasers 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.

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, 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.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners - would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement, or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

NOT Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE

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

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2022. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within a six month period. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-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 SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 Resolutions 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 Resolutions 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 Purchasers 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 District has no known failures to comply in all material respects with its prior continuing disclosure agreements in accordance with the Rule.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions:

"THE DISTRICT" and "THE SYSTEM," – LJA Engineering, Inc.; "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT" – The Developers; "TAX DATA – Estimated Overlapping Taxes" – Municipal Advisory Council of Texas; "TAX DATA" – Assessments of the Southwest, Inc." and "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership Agreement with the City," "THE BONDS", "CONTINUING DISCLOSURE", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – The Muller Law Group, PLLC.

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 in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM," has been provided by LJA Engineering, Inc., 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 in the Official Statement 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 sections captioned "TAX DATA" has been provided by the Assessments of the Southwest, Inc. and Montgomery Central Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify 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.

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.

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 in this Official Statement 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. 121 as of the date shown on the cover of this Official Statement.

ATTEST:

James Pell
President, Board of Directors
Montgomery County Municipal Utility District No. 121

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 121**

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2021

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 121
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 121, as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

***Board of Directors
Montgomery County Municipal Utility District No. 121
Montgomery County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 121, as of May 31, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

WCG & Co, PC

Houston, Texas
September 20, 2021

Management's Discussion and Analysis

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Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2021

Using this Annual Report

Within this section of the financial report of Montgomery County Municipal Utility District No. 121 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2021

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at May 31, 2021, was negative \$5,830,619. This amount is negative because the District incurs debt to construct public roads which it conveys to Montgomery County and relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of May 31, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 852,526	\$ 28,217
Capital assets	8,691,431	4,239,999
Total assets	<u>9,543,957</u>	<u>4,268,216</u>
Current liabilities	93,518	63,660
Long-term liabilities	15,281,058	7,743,258
Total liabilities	<u>15,374,576</u>	<u>7,806,918</u>
Net position		
Net investment in capital assets	(1,495,755)	(114,349)
Restricted	240,538	
Unrestricted	(4,575,402)	(3,424,353)
Total net position	<u>\$ (5,830,619)</u>	<u>\$ (3,538,702)</u>

Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2021

The total net position of the District decreased during the current fiscal year by \$2,291,917. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Property taxes, penalties and interest	\$ 332,036	\$ 24,571
Sewer and garbage services	123,778	32,743
Other	75,185	30,651
Total revenues	<u>530,999</u>	<u>87,965</u>
Expenses		
Current service operations	487,217	250,964
Debt interest and fees	120,893	
Developer interest	163,682	
Debt issuance costs	730,089	
Depreciation/amortization	209,468	96,764
Total expenses	<u>1,711,349</u>	<u>347,728</u>
Change in net position before other items	(1,180,350)	(259,763)
Other items		
Transfers to other governments	<u>(1,111,567)</u>	<u>(2,458,360)</u>
Change in net position	(2,291,917)	(2,718,123)
Net position, beginning of year	<u>(3,538,702)</u>	<u>(820,579)</u>
Net position, end of year	<u>\$ (5,830,619)</u>	<u>\$ (3,538,702)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2021, were \$802,809, which consists of \$295,582 in the General Fund, \$291,746 in the Debt Service Fund and \$215,481 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 334,063</u>	<u>\$ 28,217</u>
Total liabilities	\$ 31,074	\$ 63,660
Total deferred inflows	7,407	606
Total fund balance	<u>295,582</u>	<u>(36,049)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 334,063</u>	<u>\$ 28,217</u>

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

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 523,978	\$ 87,359
Total expenditures	<u>(339,161)</u>	<u>(250,964)</u>
Revenues over/(under) expenditures	184,817	(163,605)
Other changes in fund balance	<u>146,814</u>	<u>130,000</u>
Net change in fund balance	<u>\$ 331,631</u>	<u>\$ (33,605)</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased because assessed values in the District increased from the prior year.
- Sewer and garbage service revenues are based on the number of connections in the District.
- Sewer connection and inspection fees fluctuate with homebuilding activity within the District.
- The District's developer advances funds to the District as needed to pay operating costs.

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of May 31, 2021 is as follows:

Total assets	<u>\$ 300,934</u>
Total liabilities	\$ 9,188
Total fund balance	<u>291,746</u>
Total liabilities and fund balance	<u>\$ 300,934</u>

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

Total revenues	\$ 19
Total expenditures	<u>(19)</u>
Revenues over/(under) expenditures	
Other changes in fund balance	<u>291,746</u>
Net change in fund balance	<u><u>\$ 291,746</u></u>

The District's financial resources in the Debt Service Fund in the current year are from capitalized interest from the sale of bonds.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2020 Bond Anticipation Note, Series 2021 Unlimited Tax Bonds and Series 2021 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of May 31, 2021 is as follows:

Total assets	<u>\$ 218,429</u>
Total liabilities	\$ 2,948
Total fund balance	<u>215,481</u>
Total liabilities and fund balance	<u><u>\$ 218,429</u></u>

A summary of activities in the Capital Projects fund for the current year is as follows:

Total revenues	\$ 201
Total expenditures	<u>(6,996,442)</u>
Revenues under expenditures	(6,996,241)
Other changes in fund balance	<u>7,211,722</u>
Net change in fund balance	<u><u>\$ 215,481</u></u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$235,776 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

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Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. Developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at May 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital assets being depreciated/amortized		
Infrastructure	\$ 8,068,673	\$ 4,354,348
Recreational facilities	328,664	
Capital recovery fees	617,911	
	<u>9,015,248</u>	<u>4,354,348</u>
Less accumulated depreciation/amortization		
Infrastructure	(293,653)	(114,349)
Recreational facilities	(16,433)	
Capital recovery fees	(13,731)	
	<u>(323,817)</u>	<u>(114,349)</u>
Capital assets, net	<u>\$ 8,691,431</u>	<u>\$ 4,239,999</u>

Capital asset additions during the current year include the following:

- Woodforest Lift Station No. 6
- Woodforest Sections 68, 83, 84, 85, 89 and 92 - utilities
- Central Pine Street extension (Roundabout to Woodforest 102) – utilities
- Woodforest Section 76 – drainage facilities
- Capital recovery fees paid to Montgomery County Municipal Utility District No. 113
- Woodforest 2019 trails

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for public road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended May 31, 2021, capital assets in the amount of \$1,111,567 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of May 31, 2021, the District owes approximately \$7,481,058 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is

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recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$3,123,379 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

During the current year, the District issued \$5,920,000 in unlimited tax bonds and \$1,880,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of May 31, 2020.

At May 31, 2021, the District had \$131,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$28,980,000 for parks and recreational facilities and the refunding of such bonds; and \$48,280,000 for road improvements and the refunding of such bonds.

During the year, the District issued a \$3,518,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District repaid the BAN with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds. See Note 6 for additional information.

Next Year's Budget

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

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 523,978	\$ 1,100,000
Total expenditures	<u>(339,161)</u>	<u>(485,370)</u>
Revenues over expenditures	184,817	614,630
Other changes in fund balance	146,814	
Net change in fund balance	<u>331,631</u>	<u>614,630</u>
Beginning fund balance	<u>(36,049)</u>	<u>295,582</u>
Ending fund balance	<u><u>\$ 295,582</u></u>	<u><u>\$ 910,212</u></u>

Property Taxes

The District's property tax base increased approximately \$66,255,000 for the 2021 tax year from \$33,293,887 to \$99,549,021. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

Montgomery County Municipal Utility District No. 121
Statement of Net Position and Governmental Fund Balance Sheet
May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 301,480	\$ 300,934	\$ 218,429	\$ 820,843	\$ -	\$ 820,843
Taxes receivable	7,407			7,407		7,407
Customer service receivables	18,028			18,028		18,028
Internal balances	900		(900)			
Prepaid items	6,248			6,248		6,248
Capital assets, net					8,691,431	8,691,431
Total Assets	<u>\$ 334,063</u>	<u>\$ 300,934</u>	<u>\$ 217,529</u>	<u>\$ 852,526</u>	<u>8,691,431</u>	<u>9,543,957</u>
Liabilities						
Accounts payable	\$ 25,384	\$ -	\$ 2,048	\$ 27,432		27,432
Other payables	5,690			5,690		5,690
Accrued interest payable		9,188		9,188	51,208	60,396
Due to developer					7,481,058	7,481,058
Long-term debt						
Due after one year					7,800,000	7,800,000
Total Liabilities	<u>31,074</u>	<u>9,188</u>	<u>2,048</u>	<u>42,310</u>	<u>15,332,266</u>	<u>15,374,576</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>7,407</u>			<u>7,407</u>	<u>(7,407)</u>	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	6,248			6,248	(6,248)	
Restricted		291,746	215,481	507,227	(507,227)	
Unassigned	289,334			289,334	(289,334)	
Total Fund Balance	<u>295,582</u>	<u>291,746</u>	<u>215,481</u>	<u>802,809</u>	<u>(802,809)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 334,063</u>	<u>\$ 300,934</u>	<u>\$ 217,529</u>	<u>\$ 852,526</u>		
Net Position						
Net investment in capital assets					(1,495,755)	(1,495,755)
Restricted for debt service					240,538	240,538
Unrestricted					(4,575,402)	(4,575,402)
Total Net Position					<u>\$(5,830,619)</u>	<u>\$(5,830,619)</u>

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 121

**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended May 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Sewer service	\$ 94,004	\$ -	\$ -	\$ 94,004	\$ -	\$ 94,004
Garbage service	29,774			29,774		29,774
Property taxes	322,809			322,809	6,801	329,610
Penalties and interest	2,426			2,426		2,426
Sewer connection and inspection	70,805			70,805		70,805
Miscellaneous	4,048			4,048		4,048
Investment earnings	112	19	201	332		332
Total Revenues	523,978	19	201	524,198	6,801	530,999
Expenditures/Expenses						
Current service operations						
Purchased services	86,073			86,073		86,073
Professional fees	97,711		147,895	245,606		245,606
Contracted services	99,274			99,274		99,274
Repairs and maintenance	12,118			12,118		12,118
Utilities	3,421			3,421		3,421
Administrative	33,075			33,075		33,075
Other	7,489	19	142	7,650		7,650
Capital outlay			5,884,949	5,884,949	(5,884,949)	
Debt service						
Interest and fees			69,685	69,685	51,208	120,893
Developer interest			163,682	163,682		163,682
Debt issuance costs			730,089	730,089		730,089
Depreciation/amortization					209,468	209,468
Total Expenditures/Expenses	339,161	19	6,996,442	7,335,622	(5,624,273)	1,711,349
Revenues Over/(Under)						
Expenditures/Expenses	184,817		(6,996,241)	(6,811,424)	5,631,074	(1,180,350)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		291,746	7,508,254	7,800,000	(7,800,000)	
Proceeds from bond anticipation note			3,518,000	3,518,000	(3,518,000)	
Repayment of bond anticipation note			(3,518,000)	(3,518,000)	3,518,000	
Repayment of developer advances			(284,718)	(284,718)	284,718	
Developer advances	135,000			135,000	(135,000)	
Internal transfers	11,814		(11,814)			
Other Items						
Transfers to other governments					(1,111,567)	(1,111,567)
Net Change in Fund Balances	331,631	291,746	215,481	838,858	(838,858)	
Change in Net Position					(2,291,917)	(2,291,917)
Fund Balance/Net Position						
Beginning of the year	(36,049)	-	-	(36,049)	(3,502,653)	(3,538,702)
End of the year	\$ 295,582	\$ 291,746	\$ 215,481	\$ 802,809	\$ (6,633,428)	\$ (5,830,619)

See notes to basic financial statements.

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Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 121 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Senate Bill No. 1965 in the 80th Regular Session of the Texas Legislature, codified as Chapter 8211, Special District Local Laws Code (the “Act”) dated June 15, 2007, in accordance with Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and the Act. The Board of Directors held its first meeting on April 22, 2015 and the first bonds were issued on February 18, 2021.

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

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, sewer and garbage service and related inspection fees, and developer advances. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is capitalized interest.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities and road improvements.

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

Measurement Focus and Basis of Accounting

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

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

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting(continued)

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

Use of Restricted Resources

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

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2021, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

Assets	Useful Life
Infrastructure	45 years
Recreational facilities	20 years
Capital recovery fees	Remaining life of contract

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from the sale of bonds in the Debt Service Fund.

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

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 - and deficit balances in the General Fund.

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

Use of Estimates

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

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	802,809
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	9,015,248
Less accumulated depreciation/amortization		<u>(323,817)</u>
Change due to capital assets		8,691,431
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bond payable, net		(7,800,000)
Interest payable on bonds		<u>(51,208)</u>
Change due to long-term debt		(7,851,208)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(7,481,058)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		7,407
Total net position - governmental activities	<u>\$</u>	<u>(5,830,619)</u>

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

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

Net change in fund balances - total governmental funds	\$	838,858
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.		6,801
Governmental funds report capital outlays for reimbursements to developers as expenditures in the funds; however, in the <i>Statement of Activities</i> , capital recovery fees paid to Montgomery County Municipal Utility District No. 113 are capitalized and charged to expense over the estimated useful life of the contract, while the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	\$	5,884,949
Depreciation/amortization expense		<u>(209,468)</u>
		5,675,481
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long-term debt		(7,800,000)
Proceeds from bond anticipation note		(3,518,000)
Repayment of bond anticipation note		3,518,000
Interest expense accrual		<u>(51,208)</u>
		(7,851,208)
Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .		(135,000)
Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the <i>Statement of Net Position</i> .		284,718
The District conveys public roads to Montgomery County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.		(1,111,567)
Change in net position of governmental activities	<u>\$</u>	<u>(2,291,917)</u>

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

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

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2021, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Capital Projects Fund	\$ 900	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 4 – Interfund Balances and Transactions (continued)

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	\$ 11,814	Reimbursement of bond application fees paid by General Fund

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2021, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets being depreciated/amortized			
Infrastructure	\$ 4,354,348	\$ 3,714,325	\$ 8,068,673
Recreational facilities		328,664	328,664
Capital recovery fees		617,911	617,911
	<u>4,354,348</u>	<u>4,660,900</u>	<u>9,015,248</u>
Less accumulated depreciation/amortization			
Infrastructure	(114,349)	(179,304)	(293,653)
Recreational facilities		(16,433)	(16,433)
Capital recovery fees		(13,731)	(13,731)
	<u>(114,349)</u>	<u>(209,468)</u>	<u>(323,817)</u>
Capital assets, net	<u>\$ 4,239,999</u>	<u>\$ 4,451,432</u>	<u>\$ 8,691,431</u>

Depreciation/amortization expense for the current year was \$209,468.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developer. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On June 22, 2020 the District issued a \$3,518,000 BAN with an interest rate of 3.00%, which was due on June 21, 2021. The District paid this BAN on February 18, 2021 with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds.

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 6 – Bond Anticipation Note (continued)

The effect of this transaction on the District’s short-term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	3,518,000
Amounts repaid	<u>(3,518,000)</u>
Ending balance	<u><u>\$ -</u></u>

Note 7 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developer have also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 7,743,258
Developer reimbursements	(5,267,038)
Developer funded construction and adjustments	5,154,556
Operating advances from developer	135,000
Repayment of operating advances	<u>(284,718)</u>
Due to developer, end of year	<u><u>\$ 7,481,058</u></u>

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 7 – Due to Developer (continued)

In addition, the District will owe the developer approximately \$3,123,379, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Central Pine Street Extension (Woodforest Sections 81 to 104) - utilities	\$ 418,597	\$ 338,811	\$ 79,786
Noble Greens at Woodforest Section 2 - utilities	127,036	101,534	25,502
Woodforest Stewart Heights Tract Section 1 - clearing and grubbing	626,424	67,899	558,525
Woodforest Section 104 - utilities	148,102	118,872	29,230
Woodforest Section 78 - utilities	319,605		319,605
Woodforest Stewart Heights Tract, Section 1 - utilities	879,947		879,947
Central Pine Street extension (Woodforest Section 104) - paving	480,522		480,522
Woodforest 2021 Trails	123,146	20,967	102,179
	<u>\$ 3,123,379</u>	<u>\$ 648,083</u>	<u>\$ 2,475,296</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 7,800,000</u>
Due within one year	<u>\$ -</u>

The District’s bonds payable at May 31, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2020	\$ 5,920,000	\$ 5,920,000	2.00% - 4.50%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2020 Road	1,880,000	1,880,000	2.00% - 4.50%	September 1, 2022/2045	September 1, March 1	September 1, 2025
	<u>\$ 7,800,000</u>					

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 8 – Long-Term Debt (continued)

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

At May 31, 2021, the District had authorized but unissued bonds in the amount of \$131,000,000 for water, sewer and drainage facilities and the refunding of such bonds; \$28,980,000 and for park and recreational facilities and the refunding of such bonds; and \$48,280,000 for road facilities and the refunding of such bonds.

On February 18, 2021, the District issued its \$5,920,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.379504%. Proceeds of the bonds were used (1) to reimburse the developer for the cost of capital assets constructed within the District and operating advances; (2) to pay developer interest at the net effective interest rate of the bonds; (3) to repay a \$3,518,000 BAN issued in the current fiscal year and (4) to pay capitalized interest into the Debt Service Fund.

On March 18, 2021, the District issued its \$1,880,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.263935%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$	-
Bonds issued		<u>7,800,000</u>
Bonds payable, end of year	\$	<u>7,800,000</u>

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 8 – Long-Term Debt (continued)

As of May 31, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ -	\$ 207,227	\$ 207,227
2023	215,000	189,737	404,737
2024	220,000	179,951	399,951
2025	235,000	169,862	404,862
2026	240,000	159,475	399,475
2027	245,000	149,463	394,463
2028	255,000	139,775	394,775
2029	265,000	129,700	394,700
2030	270,000	120,825	390,825
2031	285,000	114,250	399,250
2032	290,000	108,500	398,500
2033	305,000	102,550	407,550
2034	310,000	96,400	406,400
2035	325,000	90,050	415,050
2036	335,000	83,450	418,450
2037	340,000	76,700	416,700
2038	355,000	69,750	424,750
2039	365,000	62,550	427,550
2040	380,000	55,100	435,100
2041	395,000	47,350	442,350
2042	405,000	39,350	444,350
2043	420,000	31,100	451,100
2044	430,000	22,600	452,600
2045	450,000	13,800	463,800
2046	465,000	4,650	469,650
	<u>\$ 7,800,000</u>	<u>\$ 2,464,165</u>	<u>\$ 10,264,165</u>

Note 9 – Property Taxes

On November 16, 2017, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value. The voters also authorized the District’s Board of Directors to levy a road maintenance tax limit of \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 9 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Montgomery Central 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.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$0.99 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$329,610 on the adjusted taxable value of \$33,293,887.

Note 10 – Transfers to Other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended May 31, 2021, the District recorded transfers to other governments in the amount of \$1,111,567 for road facilities constructed by the developer within the District.

Note 11 – Strategic Partnership Agreement

On October 25, 2018, the District and the City of Conroe (the "City") entered into a Strategic Partnership Agreement under which the City may annex the District for limited purposes. The District continues (1) to exercise all powers and functions of a municipal utility district and (2) to provide certain services described in the agreement, and the City agrees to remit one half of all retail sales tax collected from retailers located within the District's boundaries. The City has not yet annexed the District for limited purposes. Accordingly, the City has not yet imposed a sales tax in the District and therefore, no rebate was due or paid.

The City agrees that it will not annex all or part of the District during the initial ten-year term of this agreement. The District will be converted to full purpose annexation upon the earlier of the following dates: (1) the date on which all debt of the District that is payable from ad valorem taxes is fully paid and the District has fully reimbursed the developer within the District in accordance with any written reimbursement agreement or (2) December 31, 2037. On the full purpose annexation date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

Note 11 – Strategic Partnership Agreement (continued)

If debt of the District remains outstanding on the full purpose annexation conversion date or if the District has not fully reimbursed any developer within the District in accordance with any written reimbursement agreement, then the District shall become a “limited district”. The “limited district” shall be known as Montgomery Utility District No. 113 and shall continue for a term through the earlier of ten additional years or all outstanding debt has been fully paid. The powers of the “limited district” are restricted to the levy and collection of ad valorem taxes sufficient to meet the outstanding debt service requirements.

The City may extend the existence of the “limited district” for successive ten-year terms for so long as any debt of the “limited district” remains. The “limited district” ceases to exist 60 days after all debt is paid and title to all assets and improvements vests in the City.

Note 12 – Water Supply Agreement

MSEC Enterprises (“MSEC”) supplies water to District residents pursuant to an agreement with the District’s developer. MSEC owns, constructs, operates and maintains the water supply and water distribution systems that serve residents within the District. The District’s developer has committed to pay all capital connection fees.

Note 13 – Agreements with Municipal Utility District No. 113

Joint Construction and Operation of Regional Facilities

On August 20, 2018, as amended October 19, 2020, the District entered into a fifty-year agreement with Montgomery County Municipal Utility District No. 113 (“MUD 113”). This was amended and restated on May 20, 2019. The purpose of the agreement is to establish a regional wastewater, drainage, and parks system to serve residents in the District and MUD 113. Each of these projects are referred to as an Element and is planned to be designed, constructed and funded in Segments. The District will reimburse MUD 113 for its proportionate share of the construction costs, plus interest, of certain completed and funded Elements of the project that were originally paid by MUD 113. Each District agrees to fund its portion of future project costs on or before the due date by depositing its proportionate share in a separate account dedicated to payment of construction costs. MUD 113 was appointed to be the Lead District for all projects which consist of completed designs and construction of all projects in accordance with the agreed project budget. MUD 113 will hold legal title to the facilities for the benefit of both districts and is designated as the operator of the facilities. However, each District will have an equitable interest in their share of purchased capacity. During the prior year, MUD 113 established a separate fund to account for the operation, maintenance and construction costs of the joint facilities.

Note 13 – Agreements with Municipal Utility District No. 113 (continued)

Pursuant to the amended and restated agreement, MUD 113 established an initial deposit balance in the Joint Wastewater Treatment Plant Fund of \$20,000 to pay operating expenses as they become due. The District contributed 17% of the initial balance, and MUD 113 contributed 83% of the initial balance. During the course of three (3) years, the initial balance will increase in the following manner: 1) to \$30,000 after the first year the balance was established, 2) to \$35,000 after the second year, and 3) to \$40,000 or an amount equal to three month's operating expenses, based on the annual budget prepared and adopted, after the third year, whichever amount is higher.

The participating districts are billed the cost of operating expenses based upon a ratio of each District's active connections to the total active connections. During the current year, the District paid \$86,073 for its share of operating expenses.

Reimbursement Allocation Agreements

On September 16, 2019, and subsequently amended on October 19, 2020, the District entered into a Reimbursement Allocation Agreement (the "Agreement") with MUD 113 for the construction of recreational trails within the Woodforest Community ("Project"). The project was completed during the current fiscal year and the district's share of construction cost were \$298,785, which Woodforest Development, Inc. ("WDI") made on the behalf of the District. Each district will own and operate their portion of the project. Additionally, the District is responsible for reimbursing WDI from the proceeds of future bond issues, pursuant to the Development Financing Agreement between the District and WDI.

On January 18, 2021, the District entered into a Reimbursement Allocation Agreement (the "Agreement") with MUD 113 for the construction of recreational trails within the Woodforest Community ("Project"), the total cost of constructing the recreational trails is \$375,446. The District's share of construction cost is \$123,146, which Woodforest Development, Inc. ("WDI") will make on the behalf of the District. Upon completion of the Project, each district will own and operate their portion of the project. Additionally, the District is responsible for reimbursing WDI from the proceeds of future bond issues, pursuant to the Development Financing Agreement between the District and WDI.

Note 14 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Montgomery County Municipal Utility District No. 121
Notes to Basic Financial Statements
May 31, 2021

Note 15 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer's willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

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Required Supplementary Information

*Montgomery County Municipal Utility District No. 121
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended May 31, 2021*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Sewer service	\$ 25,000	\$ 25,000	\$ 94,004	\$ 69,004
Garbage service	25,000	25,000	29,774	4,774
Property taxes	300,000	300,000	322,809	22,809
Penalties and interest			2,426	2,426
Sewer connection and inspection	50,000	50,000	70,805	20,805
Miscellaneous			4,048	4,048
Investment earnings			112	112
Total Revenues	400,000	400,000	523,978	123,978
Expenditures				
Current service operations				
Purchased services	71,145	71,145	86,073	(14,928)
Professional fees	159,000	159,000	97,711	61,289
Contracted services	70,000	72,000	99,274	(27,274)
Repairs and maintenance	20,000	20,000	12,118	7,882
Utilities	2,500	2,500	3,421	(921)
Administrative	31,000	31,000	33,075	(2,075)
Other	23,500	23,500	7,489	16,011
Total Expenditures	377,145	379,145	339,161	39,984
Revenues Over Expenditures	22,855	20,855	184,817	163,962
Other Financing Sources				
Internal transfers			11,814	11,814
Developer advances	75,000	75,000	135,000	60,000
Net Change in Fund Balance	97,855	95,855	331,631	235,776
Fund Balance				
Beginning of the year	(36,049)	(36,049)	(36,049)	
End of the year	\$ 61,806	\$ 59,806	\$ 295,582	\$ 235,776

Montgomery County Municipal Utility District No. 121
Notes to Required Supplementary Information
May 31, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated expenditures.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 121
TSI-1. Services and Rates
May 31, 2021

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ -				to _____
Wastewater:	\$ 47.55	- 0 -	Y	N/A	- 0 - to unlimited
Surcharge:	\$ -				to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater \$ 47.55

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
Less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater	503	434	x 1.0	434

See accompanying auditor's report.

*Montgomery County Municipal Utility District No. 121
 TSI-2 General Fund Expenditures
 For the Year Ended May 31, 2021*

Purchased services		<u>\$ 86,073</u>
Professional fees		
Legal		57,521
Engineering		23,190
Audit		17,000
		<u>97,711</u>
Contracted services		
Bookeeping		15,975
Operator		18,488
Garbage collection		23,415
Tax collection fees		3,610
Appraisal district fees		2,441
Sewer connection and inspection		26,228
Security services		9,117
		<u>99,274</u>
Repairs and maintenance		<u>12,118</u>
Utilities		<u>3,421</u>
Administrative		
Directors fees		11,550
Printing and office supplies		13,303
Insurance		5,207
Other		3,015
		<u>33,075</u>
Other		<u>7,489</u>
Total expenditures		<u><u>\$ 339,161</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	316 kWh	\$ 135
Water	N/A	N/A
Natural Gas	2 CCF	211

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 121
TSI-4. Taxes Levied and Receivable
May 31, 2021

	Maintenance Taxes		
Taxes Receivable, Beginning of Year			\$ 606
2020 Original Tax Levy			321,021
Adjustments			8,589
Adjusted Tax Levy			329,610
Total to be accounted for			330,216
Tax collections:			
Current year			322,203
Prior years			606
Total Collections			322,809
Taxes Receivable, End of Year			\$ 7,407
Taxes Receivable, By Year			
2020			\$ 7,407
	2020	2019	2018
Property Valuations:			
Land	\$ 16,313,080	\$ 4,615,290	\$ 2,401,970
Improvements	18,720,180		
Personal Property	313,198		
Exemptions	(2,052,571)	(2,162,810)	(2,324,750)
Total Property Valuations	\$ 33,293,887	\$ 2,452,480	\$ 77,220
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 0.99	\$ 0.99	\$ 0.99
Total Tax Rates per \$100 Valuation	\$ 0.99	\$ 0.99	\$ 0.99
Adjusted Tax Levy:	\$ 329,610	\$ 24,280	\$ 764
Percentage of Taxes Collected to Taxes Levied ***	97.75%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on November 7, 2017

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 7, 2017

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

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
May 31, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ -	\$ 164,477	\$ 164,477
2023	160,000	148,225	308,225
2024	165,000	140,913	305,913
2025	175,000	133,262	308,262
2026	180,000	125,275	305,275
2027	185,000	117,063	302,063
2028	190,000	108,625	298,625
2029	200,000	99,850	299,850
2030	205,000	92,275	297,275
2031	215,000	87,050	302,050
2032	220,000	82,700	302,700
2033	230,000	78,200	308,200
2034	235,000	73,550	308,550
2035	245,000	68,750	313,750
2036	255,000	63,750	318,750
2037	260,000	58,600	318,600
2038	270,000	53,300	323,300
2039	280,000	47,800	327,800
2040	290,000	42,100	332,100
2041	300,000	36,200	336,200
2042	310,000	30,100	340,100
2043	320,000	23,800	343,800
2044	330,000	17,300	347,300
2045	345,000	10,550	355,550
2046	355,000	3,550	358,550
	<u>\$ 5,920,000</u>	<u>\$ 1,907,265</u>	<u>\$ 7,827,265</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
Series 2020 Road--by Years
May 31, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ -	\$ 42,750	\$ 42,750
2023	55,000	41,512	96,512
2024	55,000	39,038	94,038
2025	60,000	36,600	96,600
2026	60,000	34,200	94,200
2027	60,000	32,400	92,400
2028	65,000	31,150	96,150
2029	65,000	29,850	94,850
2030	65,000	28,550	93,550
2031	70,000	27,200	97,200
2032	70,000	25,800	95,800
2033	75,000	24,350	99,350
2034	75,000	22,850	97,850
2035	80,000	21,300	101,300
2036	80,000	19,700	99,700
2037	80,000	18,100	98,100
2038	85,000	16,450	101,450
2039	85,000	14,750	99,750
2040	90,000	13,000	103,000
2041	95,000	11,150	106,150
2042	95,000	9,250	104,250
2043	100,000	7,300	107,300
2044	100,000	5,300	105,300
2045	105,000	3,250	108,250
2046	110,000	1,100	111,100
	<u>\$ 1,880,000</u>	<u>\$ 556,900</u>	<u>\$ 2,436,900</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ -	\$ 207,227	\$ 207,227
2023	215,000	189,737	404,737
2024	220,000	179,951	399,951
2025	235,000	169,862	404,862
2026	240,000	159,475	399,475
2027	245,000	149,463	394,463
2028	255,000	139,775	394,775
2029	265,000	129,700	394,700
2030	270,000	120,825	390,825
2031	285,000	114,250	399,250
2032	290,000	108,500	398,500
2033	305,000	102,550	407,550
2034	310,000	96,400	406,400
2035	325,000	90,050	415,050
2036	335,000	83,450	418,450
2037	340,000	76,700	416,700
2038	355,000	69,750	424,750
2039	365,000	62,550	427,550
2040	380,000	55,100	435,100
2041	395,000	47,350	442,350
2042	405,000	39,350	444,350
2043	420,000	31,100	451,100
2044	430,000	22,600	452,600
2045	450,000	13,800	463,800
2046	465,000	4,650	469,650
	<u>\$ 7,800,000</u>	<u>\$ 2,464,165</u>	<u>\$ 10,264,165</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-6. Change in Long-Term Bonded Debt
May 31, 2021

	Bond Issue		Totals
	Series 2020	Series 2020 Road	
Interest rate	2.00% - 4.50%	2.00% - 4.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/22 - 9/1/45	9/1/22 - 9/1/45	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	5,920,000	1,880,000	7,800,000
Ending bonds outstanding	<u>\$ 5,920,000</u>	<u>\$ 1,880,000</u>	<u>\$ 7,800,000</u>
Interest paid during fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Paying agent's name and city All Series	<u>Regions Bank, an Alabama banking corporation, Houston, Texas</u>		

Bond Authority:	Water, Sewer and	Parks and	Road Bonds
	Drainage Bonds	Recreational Bonds	
Amount Authorized by Voters	\$ 136,920,000	\$ 28,980,000	\$ 50,160,000
Amount Issued	(5,920,000)		(1,880,000)
Remaining To Be Issued	<u>\$ 131,000,000</u>	<u>\$ 28,980,000</u>	<u>\$ 48,280,000</u>

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

Debt Service Fund cash and investments balances as of May 31, 2021:	<u>\$ 300,934</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 410,567</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018**	2017**
Revenues					
Sewer service	\$ 94,004	\$ 32,743	\$ 959	\$ -	\$ -
Garbage service	29,774				
Property taxes	322,809	23,673	764		
Penalties and interest	2,426	292			
Sewer connection and inspection	70,805	29,645	6,820		
Miscellaneous	4,048	970	10		
Investment earnings	112	36	7	8	37
Total Revenues	523,978	87,359	8,560	8	37
Expenditures					
Current service operations					
Purchased services	86,073	44,744	16,605	56,254	
Professional fees	97,711	139,326	120,512	5,738	37,261
Contracted services	99,274	36,454	11,891		1,744
Repairs and maintenance	12,118	5,152	1,879		
Utilities	3,421				
Administrative	33,075	16,660	19,277	28,300	6,314
Other	7,489	8,628	6,410	1,701	1,527
Total Expenditures	339,161	250,964	176,574	91,993	46,846
Revenues Over/(Under) Expenditures	\$ 184,817	\$ (163,605)	\$ (168,014)	\$ (91,985)	\$ (46,809)

*Percentage is negligible

**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues

2021	2020	2019	2018**	2017**
18%	38%	11%		
6%				
61%	27%	9%		
*	*			
14%	34%	80%		
1%	1%	*		
*	*	*	100%	100%
100%	100%	100%	100%	100%
16%	51%	194%	703175%	
19%	159%	1408%	71725%	100705%
19%	42%	139%		4714%
2%	6%	22%		
1%				
6%	19%	225%	353750%	17065%
1%	10%	75%	21263%	4127%
64%	287%	2063%	1149913%	126611%
36%	(187%)	(1963%)	(1149813%)	(126511%)

Montgomery County Municipal Utility District No. 121

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

For the Current Fiscal Year

	<u>Amounts</u>	<u>Percent of Fund</u>
	<u>2021</u>	<u>Total Revenues</u>
		<u>2021</u>
Revenues		
Investment earnings	<u>\$ 19</u>	<u>100%</u>
Expenditures		
Other	<u>19</u>	<u>100%</u>
Revenues Over/(Under) Expenditures	<u><u>\$ -</u></u>	<u><u>0%</u></u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2021

Complete District Mailing Address: 202 Century Square Blvd, Sugar Land, TX 77478
District Business Telephone Number: (281) 500-6050
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 18, 2020
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jim Pell	05/18 - 05/22	\$ 2,250	\$ -	President
Vicki Fullerton	05/20 - 05/24	1,950		Vice President
Sandi LaPlant	05/20 - 05/24	3,600		Secretary/Treasurer
Jeff Beard	05/18 - 05/22	2,100		Assistant Secretary
William Bleibdrey	05/18 - 05/22	1,650		Assistant Vice President
Consultants				
The Muller Law Group, PLLC	2015	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 89,948		
<i>Bond counsel fees</i>		239,980		
Municipal Operations & Consulting Inc.	2018	57,040		Operator
Myrtle Cruz, Inc.	2015	30,163		Bookkeeper
Assessments of the Southwest, Inc.	2015	3,610		Tax Collector
Montgomery Central Appraisal District	Legislation	2,846		Property Valuation
Perdue, Brandon, Collins & Mott, LLP	2018	146		Delinquent Tax Attorney
LJA Engineering, Inc.	2015			Engineer
<i>Amounts paid directly by District</i>		88,245		
<i>Developer reimbursements</i>		610,938	**	
McGrath & Co., PLLC	2020	36,100		Auditor
Robert W. Baird & Co.	2017	196,378		Financial Advisor

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

** The developer was reimbursed during the current year for these amounts paid to engineer in prior years.

See accompanying auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER