OFFICIAL STATEMENT DATED NOVEMBER 16, 2022

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

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

NEW ISSUE-Book-Entry Only

$1,800,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 138

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

UNLIMITED TAX ROAD BONDS
SERIES 2022

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 138 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District.

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

Dated Date: December 1, 2022 **Due: September 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected December 15, 2022) (the "Date of Delivery"), and is payable each September 1 and March 1, commencing September 1, 2023, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

BAM BUILD AMERICA MUTUAL

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

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2024	$ 40,000	7.00%	3.40%	61371E CY6	2027	$ 45,000	7.00%	3.75%	61371E DB5
2025	40,000	7.00	3.50	61371E CZ3	2028	50,000	7.00	3.85	61371E DC3
2026	45,000	7.00	3.65	61371E DA7	2029	50,000	7.00	3.95	61371E DD1

$170,000 Term Bonds due September 1, 2032 (a), 61371E DG4 (b), 4.50% Interest Rate, 4.20% Yield (c)
$195,000 Term Bonds due September 1, 2035 (a), 61371E DK5 (b), 4.50% Interest Rate, 4.50% Yield (c)
$225,000 Term Bonds due September 1, 2038 (a), 61371E DN9 (b), 4.50% Interest Rate, 4.70% Yield (c)
$270,000 Term Bonds due September 1, 2041 (a), 61371E DR0 (b), 4.75% Interest Rate, 4.80% Yield (c)
$310,000 Term Bonds due September 1, 2044 (a), 61371E DU3 (b), 4.75% Interest Rate, 4.83% Yield (c)
$360,000 Term Bonds due September 1, 2047 (a), 61371E DX7 (b), 5.25% Interest Rate, 4.70% Yield (c)

(a) Bonds maturing on or after September 1, 2030, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2029, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 15, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0126% of the par value thereof which resulted in a net effective interest rate of 5.125241%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General... The purchase and ownership of the Bonds is subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See "RISK FACTORS—Infectious Disease Outlook (COVID-19)."

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by the 83rd Texas Legislature (Senate Bill No. 623) effective June 14, 2013 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8422 of the Texas Special District Local Laws Code and Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution. The District annexed approximately 33 acres of land into the District on March 22, 2022 and currently contains approximately 754 acres of land. See "THE DISTRICT."

Location... The District consists of five non-contiguous tracts, all of which are wholly within the corporate limits of the City of Conroe (the "City") and located on average approximately 40 miles north of the City of Houston's downtown central business district. The five tracts comprising the District include (1) Stillwater (approximately 188 acres), located approximately one-half mile southwest of the intersection of Farm-to-Market Road 1488 and Interstate Highway 45 and bordered on the north by Guinn Road, Schoettle Road and Johnson Road; (2) Heritage Reserve (approximately 25 acres) located approximately three miles west of Interstate Highway 45 and one-half mile south of the intersection of League Line Road and Longmire Road; (3) Montgomery Oaks (approximate 126 acres) and Madeley Creek Preserve (approximate 56 acres) located approximately one mile west of the intersection of Interstate Highway 45 and League Line Road and along the south right-of-way of League Line Road; (4) Pine Lake Cove (approximately 314 acres) located approximately ten miles west of the intersection of Interstate Highway 45 and State Highway 105 and along the southern right-of-way of State Highway 105; and (5) Venetian Pines (approximately 45 acres) located approximately two miles east of the intersection of Interstate Highway 45 and State Highway 105 and approximately one-half mile north of the intersection of State Highway 105 and Porter Road and along the eastern right-of-way of Airport Road. Stillwater and Venetian Pines are located within the boundaries of Conroe Independent School District, Pine Lake Cove is located within the boundaries of Montgomery Independent School District, and Heritage Reserve, Montgomery Oaks and Madeley Creek Preserve are located within the boundaries of Willis Independent School District. See "THE DISTRICT—Description and Location" and "AERIAL LOCATION MAP."

The Developers… The primary developer of Stillwater is Peoples Road – Houston, L.P., a Delaware limited partnership ("Peoples Road"), the general partner of which is HHPXX GP, LLC, a Delaware limited liability company. Peoples Road is a single purpose entity formed for the sole purpose of developing approximately 111 acres within the District as Stillwater, Sections One, Two, Three, Four and Five and building and selling homes within Stillwater. Peoples Road has completed development of the land that it owned and does not own any undeveloped but developable land in the District.

Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage"), has developed approximately 32 acres within the District as Stillwater, Sections Six and Seven (156 single-family residential lots), approximately 50 acres as Montgomery Oaks, Section One and Two (258 single-family residential lots), and approximately 95 acres (429 single-family residential lots) as Pine Lake Cove, Sections One, Four, Five and Six. In addition, Meritage is developing approximately 41 acres where utility construction and/or paving is underway in Montgomery Oaks, Section Three and Four (220 single-family residential lots) with expected completion in the first quarter of 2023 and approximately 20 acres where utility construction and/or paving is underway in Pine Lake Cove, Section Three (98 single-residential lots) with completion expected by the end of 2022. Meritage is the sole builder in Stillwater, Sections Six and Seven, Montgomery Oaks, Sections One and Two, and Pine Lake Cove, Sections One, Four, Five and Six and continues to own approximately 45 acres of undeveloped but developable land in the District. Meritage is a wholly-owned subsidiary of Meritage Homes Corporation, a Maryland corporation whose common stock is listed on the New York Stock Exchange under the ticker symbol MTH.

Clay Road 628 Development, L.P., a Texas limited partnership ("Clay Road 628") originally owned approximately 281 acres of land in the District in Pine Lake Cove. KPS Land Investments, LP, a related entity of Clay Road 628, owns approximately 33 acres of land in the District for future development. Clay Road 628 is financing and constructing a wastewater treatment plant and water plant, and related improvements to serve Pine Lake Cove ("Central Facilities"). These Central Facilities will be conveyed to the City upon completion. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" and "THE SYSTEM."

The developer of approximately 45 acres of land in the District (of which 33 acres are developable) being developed as Venetian Pines is Airport Road Conroe, LLC, a Texas limited liability company ("Airport Road Conroe"). Airport Road Conroe is a special purpose entity created by Bold Fox Development ("Bold Fox") for the purpose of developing Venetian Pines. Bold Fox is a real estate development firm headquartered in The Woodlands, Texas. Airport Road Conroe has completed the construction of Venetian Pines, Section One and Two (200 single-family residential lots on approximately 33 acres). Airport Road Conroe has completed development in the District and does not own any land for future development.

The owner of approximately 18 acres of land consisting of 66 single-family residential lots within Heritage Reserve is Trez Capital Funding II, LLC, a Delaware limited liability company ("Trez Capital"). Trez Capital has entered into a lot sales agreement with Lennar Homes. Heritage Reserve Inc. is a special purpose entity formed by Trez Capital, and is the seller of lots to Lennar Homes. See "TAX DATA—Principal Taxpayers." The underground utilities and roads within Heritage Reserve are complete and homebuilding is complete by Lennar Homes.

The owner of approximately 56 developable acres of land in the District known as Madeley Creek Preserve is Beazer Homes Texas, LP, a Delaware limited partnership ("Beazer Homes"). No underground utility or paving construction has commenced on such acreage as of the date hereof.

Peoples Road, Meritage, Clay Road 628, Airport Conroe LLC, and Trez Capital are collectively referred to herein as the "Developers." See "THE DEVELOPERS" and "TAX DATA—Principal Taxpayers."

Status of Development... Single-family residential development in the District consists of Stillwater (470 single-family residential lots on approximately 143 acres), Montgomery Oaks (258 single-family residential lots on approximately 50 acres), Venetian Pines (200 single-family residential lots on approximately 33 acres), Heritage Reserve (66 single-family residential lots on approximately 18 acres), and Pine Lake Cove (429 single-family residential lots on approximately 95 acres). Additionally, 220 single-family residential lots on approximately 41 acres are under construction in Montgomery Oaks with expected completion by the end of 2022 and 98 single-family residential lots on approximately 20 acres are under construction in Pine Lake Cove with expected completion in the first quarter of 2023. As of September 30, 2022, 772 homes were completed (644 occupied, 120 unoccupied (90 under contract to a homebuyer) and 8 models), 271 homes were under construction and 380 vacant developed lots were available for home construction.

In addition, there are approximately 135 acres of developable but undeveloped property in the District and approximately 219 undevelopable acres consisting of rights-of-way, detention ponds, utility sites, lake amenities, easements, parks, recreational and open space, nature areas, and trails. See "THE DISTRICT—Land Use" and "—Status of Development."

Homebuilding… Meritage, Gracepoint Homes, and Partners in Building are currently marketing and/or constructing homes in Stillwater at an average sales price of $504,000; Meritage is currently constructing homes in Montgomery Oaks and Pine Lake Cove at average sales prices of $345,000 and $340,000, respectively; and Chesmar Homes and Empire Communities are currently constructing homes in Venetian Pines at an average sales price of $293,000. See "THE DISTRICT—Homebuilding."

Water and Wastewater… Pursuant to a Utility and Road Agreement between the District and the City, as amended, water supply capacity and wastewater treatment capacity for approximately 497 acres of land within the District consisting of the Stillwater Tract, Montgomery Oaks Tract, Venetian Pines Tract, Heritage Reserve Tract and Madeley Creek Preserve Tract is provided by the City and all revenues from the collection of charges for water and sewer services are paid directly to the City and the City provides retail water and sewer services to the residents in the Stillwater Tract, Montgomery Oaks Tract, Venetian Pines Tract and Heritage Reserve Tract.

For residents within Pine Lake Cove, the District has secured interim water capacity for Pine Lake Cove through construction of an interconnection with Stanley Lake Municipal Utility District ("Stanley Lake MUD") that is capable of serving up to 800 equivalent single-family connections. Additionally, the District has entered into a Wastewater Treatment Plant Agreement to provide interim wastewater treatment capacity to residents of Pine Lake Cove. Permanent water supply and wastewater treatment capacity to serve Pine Lake Cove will ultimately be provided by a water supply facility and wastewater treatment plant (the "Central Facilities") constructed by the District, conveyed to the City for ownership and operation, and paid for from bonds payable from City tax increment on the Pine Lake Cove tracts. A permanent water plant is under construction by the District with completion expected by the end of 2022. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" for a more complete description of the facilities and agreements related to Pine Lake Cove and "THE SYSTEM."

Payment Record... The District has previously issued $7,000,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in one series and $10,520,000 principal amount of unlimited tax bonds for roads and related improvements in two series, $16,520,000 of which collectively remains outstanding (the "Outstanding Bonds") as of the date hereof. The Bonds are the District's third issuance of unlimited tax bonds for roads and related improvements. The District has never defaulted on its debt obligations. Twelve (12) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Future Debt... The District has authorized preparation of a bond application to the TCEQ in the approximate principal amount of $17,130,000 of unlimited tax bonds for water, sewer and drainage facilities. The District expects approval and issuance of such bonds in the second quarter of 2023. See "THE BONDS—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

THE BONDS

Description... The $1,800,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds") are being issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature on September 1 in each of the years 2024 through 2029, both inclusive, and as term bonds on September 1 in each of the years 2032, 2035, 2038, 2041, 2044 and 2047 (the "Term Bonds") in the principal amounts and pay interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable September 1, 2023, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption...	Bonds maturing on or after September 1, 2030, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2029, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. . The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
Use of Proceeds...	Proceeds of the Bonds will be used to pay for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," including to capitalize twelve (12) months of interest on the Bonds and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.
Authority for Issuance...	The Bonds are the third series of bonds issued out of an aggregate of $88,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing roads and related improvements and for refunding such bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution adopted by the Board of Directors of the District, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8422 of the Texas Special District Local Laws Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an election within the District on May 10, 2014. See "RISK FACTORS—Future Debt," "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt."
Source of Payment...	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Conroe, Montgomery County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
Municipal Bond Rating and Municipal Bond Insurance…	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
Qualified Tax-Exempt Obligations...	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

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

SUMMARY OF SELECTED FINANCIAL INFORMATION

2022 Taxable Assessed Valuation	$232,246,368	(a)
Estimated Taxable Assessed Valuation as of August 1, 2022	$355,893,758	(b)
Gross Direct Debt Outstanding	$18,320,000	(c)
Estimated Overlapping Debt	12,593,528	(d)
Gross Direct Debt and Estimated Overlapping Debt	$30,913,528	
Ratios of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	7.89%	
Estimated Taxable Assessed Valuation as of August 1, 2022	5.15%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	13.31%	
Estimated Taxable Assessed Valuation as of August 1, 2022	8.69%	
Funds Available for Debt Service:		
Capitalized Interest from proceeds of the Bonds (Twelve (12) Months)	$ 91,900	(e)
Road Debt Service Fund as of October 25, 2022	35,545	
Water, Wastewater and Drainage Debt Service Fund as of October 25, 2022	256,539	
Total Funds Available for Debt Service as of October 25, 2022	$383,984	
Operating Funds Available as of October 25, 2022	$56,431	(f)
Capital Projects Funds Available as of October 25, 2022	$11,988	
2022 Debt Service Tax Rate	$0.56	(g)
2022 Maintenance and Operations Tax Rate	0.32	
2022 Total Tax Rate	$0.88	
Average Annual Debt Service Requirement (2023-2047)	$1,086,947	(h)
Maximum Annual Debt Service Requirement (2042)	$1,308,013	(h)
Tax Rates Required to Pay Average Annual Debt Service (2023-2047) at a 95% Collection Rate		
Based upon 2022 Taxable Assessed Valuation	$0.50	(i)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2022	$0.33	(i)
Tax Rates Required to Pay Maximum Annual Debt Service (2042) at a 95% Collection Rate		
Based upon 2022 Taxable Assessed Valuation	$0.60	(i)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2022	$0.39	(i)
Status of Development as of September 30, 2022 (j):		
Homes Completed (644 Occupied, 120 unoccupied (90 under contract to a homebuyer), and 8 model homes)	772	
Homes Under Construction	271	
Lots Available for Home Construction	380	
Estimated Population	2,254	(k)

(a) The 2022 Taxable Assessed Valuation shown herein includes $217,676,357 of certified value and $14,570,011 of uncertified value. The uncertified value represents the opinion of value by the Montgomery Central Appraisal District (the "Appraisal District"); however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on August 1, 2022. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2022 and August 1, 2022, will be certified as of January 1, 2023. See "TAXING PROCEDURES."

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

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

(e) The District will capitalize twelve (12) months of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(f) Excludes approximately $384,295 of Pine Lake Cove operating funds, which cannot be used to pay expense in any parts of the District outside of the Pine Lake Cove System. See "RISK FACTORS—Operating Funds," "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE—Water and Wastewater Treatment Facilities to Serve Pine Lake Cove," and "THE SYSTEM—Water Supply and Wastewater Treatment."

(g) Of such 2022 debt service tax rate, $0.25 per $100 of taxable assessed valuation is currently allocated to pay debt service on water, wastewater and drainage bonds and $0.31 per $100 of taxable assessed valuation is allocated to pay debt service on road bonds.

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

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

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

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

OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 138

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

$1,800,000

UNLIMITED TAX ROAD BONDS SERIES 2022

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 138 (the "District") of its $1,800,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds").

The Bonds are issued by the District pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article III, Section 52 of the Texas Constitution, Chapter 8422, Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Peoples Road – Houston, L.P., a Delaware limited partnership (the "Peoples Road"), Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage"), Clay Road 628 Development, L.P., a Texas limited partnership ("Clay Road 628"), Airport Road Conroe LLC, a Texas limited liability company ("Airport Road Conroe"), and Trez Capital Funding II, LLC, a Delaware limited liability company ("Trez Capital") (Peoples Road, Meritage, Clay Road 628, Airport Road Conroe, and Trez Capital are collectively referred to herein as the "Developers") and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

RISK FACTORS

General

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

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 of Texas (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 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.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order 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.

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 Fluctuations on the Houston Area

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

Extreme Weather Events

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

According to Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc. (the "Engineer"), the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service, and the impact from Hurricane Harvey to property within the District included erosion of sand into the streets, which has been remediated. Further, to the knowledge of the District, no homes within the District experienced structural flooding or other material damage.

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

Specific Flood Type Risks

Riverine (or Fluvial) Flood: Riverine, or fluvial flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

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

Operating Funds

The District's primary source of operating revenue is maintenance tax revenue. The District levied a 2022 maintenance tax rate of $0.32 per $100 of taxable assessed valuation. The District will receive water and sewer service revenues from Pine Lake Cove within the District until the water supply facility and wastewater treatment plant (the "Central Facilities") are conveyed to the City. The District's General Fund balance as of October 25, 2022 is $56,431. The water and sewer revenues received until the Central Facilities are conveyed to the City, together with the revenue produced from a maintenance tax rate may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance will depend upon (1) cash subsidies from the Developers (which are obligated to be advanced by Developers pursuant to each Developer's development financing agreement with the District), and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate to the extent permitted by law. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE," "FINANCIAL INFORMATION REGARDING THE DISTRICT (UNAUDITED)—General Operating Fund" and "TAX DATA—Maintenance and Operations Tax."

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of the Developers or property owners to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 40 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of the District's taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or a decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of or reduce the District's property tax base.

Competition

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

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

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

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2022 Taxable Assessed Valuation is $232,246,368 (consisting of $217,676,357 of certified value and $14,570,011 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement for all of the Outstanding Bonds will be $1,308,013 (2042), and the average annual debt service requirement will be $1,086,947 (2023-2047 inclusive). Assuming no increase or decrease from the 2022 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service for all of the Outstanding Bonds, tax rates of $0.60 and $0.50 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements for all of the Outstanding Bonds, respectively. A debt service tax rate over $0.88 per $100 of taxable assessed valuation may affect the District's ability to levy more than $0.05 for operations (unless the City consents to a higher operations and maintenance tax rate). See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE." See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

The Estimated Taxable Assessed Valuation as of August 1, 2022 is $355,893,758, which reduces the above tax calculations related to the maximum annual debt service requirement and average annual debt service requirement to $0.39 and $0.33 per $100 of taxable assessed valuation, respectively. No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 1, 2022 will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Undeveloped Acreage, Vacant Land and Vacant Lots

There are approximately 135 developable acres of land within the District that have not been fully provided with water, wastewater and storm drainage facilities necessary to the construction of new development (excluding approximately 61 acres where construction is underway for the development of 318 single-family residential lots) and 380 single-family residential lots that remain vacant as of September 30, 2022. Future increases in value will result primarily from the construction of new single-family residential homes. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. See "THE DISTRICT—Land Use" and "—Status of Development."

Developers Obligation to the District

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

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Dependence on Major Taxpayers and the Developers

The top ten taxpayers in the District represent $43,966,765 or 20.20% of the certified portion ($217,676,357) of the 2022 Taxable Assessed Valuation of $232,246,368 within the District. The Developers represents $33,697,765 or 15.48% of the certified portion ($217,676,357) of the 2022 Taxable Assessed Valuation See "THE DEVELOPERS" and "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District's ability to pay debt service on the Bonds.

The Developers have informed the District that their current plans are to continue developing their property in the District and/or marketing lots. However, none of the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developers or any other landowners.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. A total of $171,000,000 principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of constructing or acquiring water, wastewater, and drainage facilities and for refunding such bonds, $88,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements and for refunding such bonds and $30,600,000 principal amount of unlimited tax bonds for the purpose of constructing and/ or acquiring park and recreational facilities and for refunding such bonds. After the issuance of the Bonds, $164,000,000 principal amount of the unlimited tax bonds for water, wastewater and drainage facilities and refunding such bonds, $76,180,000 principal amount of the unlimited tax bonds for roads and related improvements and refunding such bonds and $30,600,000 principal amount of the unlimited tax bonds for park and recreational facilities and refunding such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. Additionally, the District has authorized preparation of a bond application to the TCEQ in the approximate principal amount of $17,130,000 of unlimited tax bonds for water, sewer and drainage facilities. The District expects approval and issuance of such bonds in the second quarter of 2023. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed one percent (1%) of the District's certified value, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

To date, the Developers and other landowners have advanced certain funds for engineering and construction of water, wastewater and drainage facilities, recreational facilities and roads and related improvements for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately $65,000,000 plus interest to the Developers. The District intends to issue additional bonds in order to reimburse the Developers and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 135 acres excluding 61 acres under construction for the development of 318 single-family residential lots). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater and drainage facilities and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulation

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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 the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, the 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, the 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 ninety (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. In order to maintain MS4 Permit compliance, the District is partnering with the city of Conroe (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

In 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 June 9, 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 of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. 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.

Atlas 14

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

Marketability of the Bonds

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

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

THE BONDS

Description

The Bonds will be dated December 1, 2022 and will accrue interest from the Date of Delivery, with interest payable each September 1 and March 1, beginning September 1, 2023 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City, or any entity other than the District.

Funds

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

The District also maintains a Water, Wastewater and Drainage Debt Service Fund that is not pledged to Road Bonds, including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the Outstanding Water, Wastewater and Drainage Bonds, and funds in the Water, Wastewater and Drainage Debt Service Fund are not available to pay principal and interest on the Bonds.

Twelve (12) months of interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for reimbursing Developers for certain public infrastructure projects and paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund after completion of construction of all road facilities will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2032, 2035, 2038, 2041, 2044 and 2047 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$170,000 Term Bonds Due September 1, 2032

Mandatory Redemption Date	Principal Amount
2030	$ 55,000
2031	55,000
2032 (maturity)	60,000

$195,000 Term Bonds Due September 1, 2035

Mandatory Redemption Date	Principal Amount
2033	$ 60,000
2034	65,000
2035 (maturity)	70,000

$225,000 Term Bonds Due September 1, 2038

Mandatory Redemption Date	Principal Amount
2036	$ 70,000
2037	75,000
2038 (maturity)	80,000

$270,000 Term Bonds Due September 1, 2041

Mandatory Redemption Date	Principal Amount
2039	$ 85,000
2040	90,000
2041 (maturity)	95,000

$310,000 Term Bonds Due September 1, 2044

Mandatory Redemption Date	Principal Amount
2042	$ 100,000
2043	100,000
2044 (maturity)	110,000

$360,000 Term Bonds Due September 1, 2047

Mandatory Redemption Date	Principal Amount
2045	$ 115,000
2046	120,000
2047 (maturity)	125,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on September 1, 2029, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

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

Authority for Issuance

At a bond election held within the District on May 10, 2014, voters of the District have authorized the issuance of $88,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements and for refunding such bonds. The Bonds are issued pursuant to such authorization. See "—Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapter 8422, Texas Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

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

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

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, 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/Registrar for the Bonds.

Issuance of Additional Debt

The District's voters have authorized the issuance of $171,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, wastewater and drainage facilities and for refunding such bonds, $88,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements and for refunding such bonds and $30,600,000 principal amount of unlimited tax bonds for the purpose of constructing and/ or acquiring park and recreational facilities and for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, $164,000,000 principal amount of the unlimited tax bonds for water, wastewater and drainage facilities, $30,600,000 principal amount of the unlimited tax bonds for park and recreational facilities and $76,180,000 principal amount of the unlimited tax bonds for the purpose of constructing roads and related improvements and for refunding such bonds will remain authorized but unissued. Additionally, the District has authorized preparation of a bond application to the TCEQ in the approximate principal amount of $17,130,000 of unlimited tax bonds for water, sewer and drainage facilities. The District expects approval and issuance of such bonds in the second quarter of 2023. See "RISK FACTORS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Dissolution by the City of Conroe

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District and its Utility and Road Agreement with the City. In addition, the District may be dissolved by the City without the District's consent provided certain conditions are met. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt service on the Bonds if such dissolution were to occur. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" for a discussion of certain limitations on the City's right to dissolve the District.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE

The District operates pursuant to a Utility and Road Agreement between the City and the District, dated as of December 12, 2013, and amended July 23, 2014 and November 6, 2020 (the "Utility and Road Agreement"). Pursuant to the Utility and Road Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities and roads to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance at the sole cost of the City in consideration for the District's financing acquisition and construction of the Facilities. In order to secure performance by the City of its obligations under the Utility and Road Agreement, the District retains a security interest in the Facilities transferred to the City until the District's bonds issued to acquire and construct the Facilities are paid off. It is the City's obligation to set rates and charges for the use of the Facilities and to bill and collect such rates and charges from customers of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City with the exception of residents receiving utility service through the temporary wastewater treatment plant revenues and the Stanley Lake MUD interconnect, which shall be charged by the District until such time as the City accepts the Central Facilities. Subject to the Utility Agreement's Second Amendment (discussed below), all revenues from the Facilities belong exclusively to the City. The Utility and Road Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The District retains ownership, operation and maintenance of park facilities and detention ponds.

The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind. The City has covenanted to maintain the Facilities, or cause the Facilities to be maintained, in good condition and working order and to operate the same, or cause the same, to be operated in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. The City has also covenanted to comply with all contractual provisions and agreements entered into by it and with all valid rules, regulation, directions or orders by any governmental or judicial body promulgating the same. See "THE SYSTEM."

Under the Utility and Road Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District can issue utility or park bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed $0.88 per $100 of taxable assessed valuation. Before the District can issue road bonds, the District must also submit certain documentation to the City. The Utility and Road Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount. However, if the District's debt service tax rate for a given year is $0.88 per $100 of taxable assessed valuation or higher, then the District's maintenance and operations tax rate shall not exceed $0.05 per $100 of taxable assessed valuation without written consent from the City. Both the City and the District levy taxes on property within the District. The Utility and Road Agreement provides that the City pays an annual rebate to the District of a portion of the City's tax rate related to the water, wastewater and drainage in order to prevent double payment of taxes by taxpayers in the District. The annual rebate is equal to the total assessed value in the District for a given year multiplied by the portion of the City's tax rate that is attributable to water, sewer or drainage facilities, which may increase or decrease over time.

The City's right to dissolve the District is restricted under the Utility and Road Agreement. Under the terms of the Utility and Road Agreement, the City agrees that it will not dissolve the District until ninety percent of the District's Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement of the District under such rules. See "THE BONDS—Dissolution by the City of Conroe."

Water and Wastewater Treatment Facilities to Serve Pine Lake Cove: On November 6, 2020, the District and the City entered into a Second Amendment of the Utility Agreement (the "Second Amendment"), which addresses the development of Pine Lake Cove. Currently the City is unable to provide water and wastewater service to Pine Lake Cove and has entered into an agreement to have the District construct Central Facilities which would provide for approximately 1,100 water and wastewater connections. The Central Facilities will be designed and constructed by the District, and the City shall review and approve such plans.

Once completed the Central Facilities (including a water plant, wastewater treatment plant, force main, and lift stations) will be conveyed to the City upon the City's acceptance to be maintained, owned, and operated by the City. The District is authorized to issue bonds to finance the Central Facility costs which will be payable from contract payments payable by the City to the District. Contract payments will be made annually in an amount equal to the lesser of (i) the tax increment collected by the City in Pine Lake Cove, or (ii) debt service on the Central Facilities Bonds. The City shall deposit the tax increment collected in Pine Lake Cove into an Infrastructure Fund to be used only to pay Central Facilities bond principal or interest payments or if bonds have not been issued, payment of the costs of the Central Facilities. The Contract Payment will be made by the City by April 30th of each year beginning with tax collections resulting from tax year 2021 and every year thereafter throughout the term of the Central Facilities Bonds. Pursuant to the Second Amendment, the Central Facilities have been oversized at the City's request to provide capacity to serve areas beyond Pine Lake Cove. The City agreed to fund such oversizing, and as of April 30, 2022, the City paid $817,266 to the District, which was used to reimburse Clay Road 628 for the construction of certain Central Facilities. Until such time as the Central Facilities are constructed, residents in Pine Lake Cove will receive interim water supply via the Stanley Lake MUD interconnect and wastewater supply from the interim wastewater facilities and the District shall operate such facilities and collect any associated revenues. See "THE SYSTEM."

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc., the District's engineer (the "Engineer"). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

I.	**CONSTRUCTION COSTS**		
	• Venetian Pines, Section One Paving	$	1,061,329
	• Venetian Pines Right-of-Way Acquistion		203,261
	• Engineering and Geotechnical Report		127,633
	Total Construction Costs	**$**	**1,392,223**
II.	**NON-CONSTRUCTION COSTS**		
	• Underwriter's Discount (a)	$	53,773
	• Capitalized Interest (12 Months) (a)		91,900
	• Developer Interest		107,123
	Total Non-Construction Costs	**$**	**252,796**
III.	**ISSUANCE COSTS AND FEES**		
	• Issuance Costs and Professional Fees	$	150,354
	• State Regulatory Fees		1,800
	• Contingency (a)		2,827
	Total Issuance Costs and Fees	**$**	**154,981**
	TOTAL BOND ISSUE	**$**	**1,800,000**

(a) Contingency represents the difference in the estimated and actual amounts of Underwriter's discount and capitalized interest.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by the 83rd Texas Legislature (Senate Bill No. 623) effective on June 14, 2013 and operates pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8422 of the Texas Special District Local Laws Code. The District annexed approximately 33 acres of land into the District on March 22, 2022 and currently contains approximately 754 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related improvements. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. To comply with its consent ordinance for creation from the City, within which the District is located, the District is required to observe certain requirements of the City consent ordinance which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and recreational facilities and roads and related improvements; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Description and Location

The District consists of five non-contiguous tracts, all of which are wholly within the corporate limits of the City of Conroe (the "City") and located on average approximately 40 miles north of the City of Houston's downtown central business district. The five tracts comprising the District include (1) Stillwater (approximately 188 acres), located approximately one-half mile southwest of the intersection of Farm-to-Market Road 1488 and Interstate Highway 45 and bordered on the north by Guinn Road, Schoettle Road and Johnson Road; (2) Heritage Reserve (approximately 25 acres) located approximately three miles west of Interstate Highway 45 and one-half mile south of the intersection of League Line Road and Longmire Road; (3) Montgomery Oaks (approximate 126 acres) and Madeley Creek Preserve (approximately 56 acres) located approximately one mile west of the intersection of Interstate Highway 45 and League Line Road and along the south right-of-way of League Line Road; (4) Pine Lake Cove (approximate 314 acres) located approximately ten miles west of the intersection of Interstate Highway 45 and State Highway 105 and along the southern right-of-way of State Highway 105; and (5) Venetian Pines (approximately 45 acres) located approximately two miles east of the intersection of Interstate Highway 45 and State Highway 105 and approximately one-half mile north of the intersection of State Highway 105 and Porter Road and along the eastern right-of-way of Airport Road. Stillwater and Venetian Pines are located within the boundaries of Conroe Independent School District, Pine Lake Cove is located within the boundaries of Montgomery Independent School District, and Heritage Reserve, Montgomery Oaks and Madeley Creek Preserve are located within the boundaries of Willis Independent School District. See "AERIAL LOCATION MAP."

Land Use

The District's land plan currently includes approximately 339 acres developed as 1,423 single-family residential lots, approximately 61 acres of land under construction for the development of 318 single-family residential lots, approximately 135 acres are undeveloped but developable and approximately 219 acres are undevelopable consisting of rights-of-way, detention ponds, utility sites, lake amenities, easements, parks, recreational and open space, nature areas, and trails. The table below represents a detailed breakdown of the current acreage and development in the District.

Single-Family Residential:	Approximate Acres	Lots
Stillwater:		
Section One	34	76
Section Two	20	42
Section Three	19	65
Section Four	19	63
Section Five	19	68
Section Six	16	74
Section Seven	16	82
Heritage Reserve:		
Section One	18	66
Venetian Pines:		
Section One	17	105
Section Two	16	95
Pine Lake Cove:		
Section One	45	181
Section Three (a)	20	98
Section Four	19	77
Section Five	16	85
Section Six	15	86
Montgomery Oaks:		
Section One	23	133
Section Two	27	125
Section Three (b)	13	69
Section Four (b)	28	151
Subtotal	400	1,741
Developable	135	--
Undevelopable (c)	219	--
Subtotal	354	0
Totals	754	1,741

(a) Construction is underway with completion expected by the end of 2022.
(b) Construction is underway with completion expected by the first quarter of 2023.
(c) Represents rights-of-way, detention ponds, utility sites amenity lakes, easements, parks, recreational and open space, nature areas, and trails.

Status of Development

Single-family residential development in the District consists of Stillwater (470 single-family residential lots on approximately 143 acres), Montgomery Oaks (258 single-family residential lots on approximately 50 acres), Venetian Pines (200 single-family residential lots on approximately 33 acres), Heritage Reserve (66 single-family residential lots on approximately 18 acres), and Pine Lake Cove (429 single-family residential lots on approximately 95 acres). Additionally, 220 single-family residential lots on approximately 41 acres are under construction in Montgomery Oaks with expected completion by the end of 2022 and 98 single-family residential lots on approximately 20 acres are under construction in Pine Lake Cove with expected completion in the first quarter of 2023. As of September 30, 2022, 772 homes were completed (644 occupied, 120 unoccupied (90 under contract to a homebuyer) and 8 models), 271 homes were under construction and 380 vacant developed lots were available for home construction.

Homebuilding

Meritage, Gracepoint Homes, and Partners in Building are currently marketing and/or constructing homes in Stillwater at an average sales price of $504,000; Meritage is currently constructing homes in Montgomery Oaks and Pine Lake Cove at average sales prices of $345,000 and $340,000 respectively; and Chesmar Homes and Empire Communities are currently constructing homes in Venetian Pines at an average sales price of $293,000.

THE DEVELOPERS

General

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

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

Peoples Road – Houston, L.P.

The primary developer of Stillwater is Peoples Road – Houston, L.P., a Delaware limited partnership ("Peoples Road"), the general partner of which is HHPXX GP, LLC, a Delaware limited liability company. Peoples Road is a single purpose entity formed for the sole purpose of developing approximately 111 acres within the District as Stillwater, Sections One, Two, Three, Four and Five and building and selling homes within Stillwater. Peoples Road has completed development of the land that it owned and does not own any undeveloped but developable land in the District. See "TAX DATA—Principal Taxpayers."

Meritage Homes of Texas LLC

Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage"), has developed approximately 32 acres within the District as Stillwater, Sections Six and Seven (156 single-family residential lots), approximately 50 acres as Montgomery Oaks, Section One and Two (258 single-family residential lots), and approximately 95 acres (429 single-family residential lots) as Pine Lake Cove, Sections One, Four, Five and Six. In addition, Meritage is developing approximately 41 acres where utility construction and/or paving is underway in Montgomery Oaks, Section Three and Four (220 single-family residential lots) with expected completion in the first quarter of 2023 and approximately 20 acres where utility construction and/or paving is underway in Pine Lake Cove, Section Three (98 single-family residential lots) with completion expected by the end of 2022. Meritage is the sole builder in Stillwater, Sections Six and Seven, Montgomery Oaks, Sections One and Two, and Pine Lake Cove, Sections One, Four, Five and Six and continues to own approximately 45 acres of undeveloped but developable land in in the District. Meritage is a wholly-owned subsidiary of Meritage Homes Corporation, a Maryland corporation whose common stock is listed on the New York Stock Exchange under the ticker symbol MTH. See "TAX DATA—Principal Taxpayers."

Clay Road 628 Development, L.P.

Clay Road 628 Development, L.P., a Texas limited partnership ("Clay Road 628") originally owned approximately 281 acres of land in the District in Pine Lake Cove. KPS Land Investments, LP, a related entity of Clay Road 628, owns approximately 33 acres of land in the District for future development. See "TAX DATA—Principal Taxpayers."

Airport Road Conroe, LLC

The developer of approximately 45 acres of land in the District (of which 33 acres are developable) being developed as Venetian Pines is Airport Road Conroe, LLC, a Texas limited liability company ("Airport Road Conroe"). Airport Road Conroe is a special purpose entity created by Bold Fox Development ("Bold Fox") for the purpose of developing Venetian Pines. Bold Fox is a real estate development firm headquartered in The Woodlands, Texas. Airport Road Conroe has completed the construction of Venetian Pines, Section One and Two (200 single-family residential lots on approximately 33 acres). Airport Road Conroe has completed development in the District and does not own any land for future development. See "TAX DATA—Principal Taxpayers."

Trez Capital Funding II, LLC

The owner of approximately 18 acres of land consisting of 66 single-family residential lots within Heritage Reserve is Trez Capital Funding II, LLC, a Delaware limited liability company ("Trez Capital"). Trez Capital has entered into a lot sales agreement with Lennar Homes. Heritage Reserve Inc. is a special purpose entity formed by Trez Capital, and is the seller of lots to Lennar Homes. See "TAX DATA—Principal Taxpayers." The underground utilities and roads within Heritage Reserve are complete and homebuilding is underway by Lennar Homes. See "TAX DATA—Principal Taxpayers."

Beazer Homes Texas, LP

The owner of approximately 56 developable acres of land in the District known as Madeley Creek Preserve is Beazer Homes Texas, LP, a Delaware limited partnership ("Beazer Homes"). No underground utility or paving construction has commenced on such acreage as of the date hereof.

Obligations of the Developers

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

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the Board members reside within the District; however, each of the Board members owns land within the District subject to a note and deed of trust in favor of Clay Road 628. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Guillermo Machado	President	May 2024
Sumahan Bonnerjee	Vice President	May 2026
M. Chance Mock	Secretary	May 2026
Vincent L. Smith	Assistant Vice President	May 2024
Starsky Wallin	Assistant Secretary	May 2026

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The District's financial statements for the fiscal year ending April 30, 2022, were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ending April 30, 2022.

Engineer: The District's consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc. Bleyl Engineers and SpearPoint Engineering are designing sections within Pine Lake Cove and Montgomery Oaks, respectively.

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

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

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's internal water and wastewater system is the City of Conroe. For Pine Lake Cove, Stanley Lake MUD serves as the operator for the water system and Hays Utility North Corporation serves as the District's operator for the temporary wastewater treatment plant.

THE SYSTEM

Regulation

Construction and operation of the District's water, sanitary sewer and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District, the City and Montgomery County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

Water Supply and Wastewater Treatment

Pursuant to a Utility and Road Agreement between the District and the City, water supply capacity and wastewater treatment capacity for approximately 497 acres of land within the District consisting of the Stillwater Tract, Montgomery Oaks Tract, Venetian Pines Tract, Heritage Reserve Tract and Madeley Creek Preserve Tract is provided by the City and all revenues from the collection of charges for water and sewer services are paid directly to the City and the City provides retail water and sewer services to the residents in Stillwater, Montgomery Oaks, Venetian Pines and Heritage Reserve.

The District has secured interim water capacity for Pine Lake Cove through construction of an interconnection with Stanley Lake MUD that is capable of serving up to 800 equivalent single-family connections. Additionally, the District has entered into a Wastewater Treatment Plant Agreement with UA Holdings 1994-5 L.P. and Clay Road 628 to provide interim wastewater treatment capacity to residents of Pine Lake Cove through the purchase of an interim 250,000 gallon per day wastewater treatment plant, which is capable of serving 550 equivalent single-family connections. Stanley Lake MUD will meter the water supply interconnection and will bill the District monthly based upon usage. The District will own and operate the interim wastewater treatment plant and will bill and collect water and sewer fees from residents within Pine Lake Cove until such time as the permanent wastewater facility is constructed and conveyed to the City for ownership and operation. A permanent water plant is under construction by the District with completion expected by the end of 2022.

Permanent water supply and wastewater treatment capacity to serve Pine Lake Cove will ultimately be provided by the Central Facilities constructed by the District. The City will fund a portion of the expenses for the Central Facilities. The District will convey such Central Facilities to the City for ownership, operation and maintenance at the City's expense. Additionally, the City has agreed to make an annual contract payment (the "Contact Payment") from the City's ad valorem tax revenue equal to the lesser of the tax increment collected by the City within Pine Lake Cove or District's debt service on bonds issued for that purpose. All Contract Payments from the City are limited to the sole purpose of paying a portion of the principal and interest on bonds issued by the District to finance the Central Facilities, or if bonds have not been issued, for payment of Central Facilities. The Contract Payment shall be payable by April 30 of each year beginning in 2021 and every year thereafter throughout the term of bonds issued to finance the Central Facilities. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" for a more complete description of the facilities and agreements related to Pine Lake Cove.

Surface Water Conversion

The District is within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District") which regulates groundwater withdrawal. Because the District is served by the City with water, the District has no potable water wells subject to regulation by the Conservation District.

The City is a participant in the San Jacinto River Authority ("SJRA") Groundwater Reduction Plan ("GRP"). The SJRA is constructing a surface water treatment facility and transmission system to provide treated surface water to the City. With the exception of the Stanley MUD interconnect, the transmission system is interconnected to the City's water system.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 0.7 acres of developable acreage in the District is within the effective 100-year flood plain. See "RISK FACTORS—Extreme Weather Events."

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "RISK FACTORS—Atlas 14."

ROAD SYSTEM

The road system ("Roads") serves the residents of Stillwater, Heritage Reserve, Montgomery Oaks, Venetian Pines and Pine Lake Cove by providing access to major thoroughfares from local collectors within such developments. A portion of the proceeds from the Series 2017 Road Bonds were expended to acquire the rights-of-way for the Peoples Road access easement and rights-of-way for the local collector roads within Stillwater, Section One and Section Three and a portion of the proceeds from the Series 2021 Road Bonds were expended to pave and acquire the rights-of-way for the local collector streets within Stillwater, Sections One, Six and Seven and Heritage Reserve, Section One. A portion of the proceeds from the Bonds will be expended for paving and acquisition of the rights-of-way for the certain public streets within Venetian Pines, Section One. See "USE AND DISTRIBUTION OF BOND PROCEEDS." All Roads within Stillwater, Heritage Reserve, Montgomery Oaks, Venetian Pines and Pine Lake Cove are owned and maintained by the City, except for the roads within Stillwater, Section Two, which are gated and maintained by the homeowners association.

SELECTED FINANCIAL INFORMATION

2022 Taxable Assessed Valuation	$232,246,368	(a)
Estimated Taxable Assessed Valuation as of August 1, 2022	$355,893,758	(b)
Gross Direct Debt Outstanding	$18,320,000	(c)
Estimated Overlapping Debt	12,593,528	(d)
Gross Direct Debt and Estimated Overlapping Debt	$30,913,528	
Ratios of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	7.89%	
Estimated Taxable Assessed Valuation as of August 1, 2022	5.15%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	13.31%	
Estimated Taxable Assessed Valuation as of August 1, 2022	8.69%	
Funds Available for Debt Service:		
Capitalized Interest from proceeds of the Bonds (Twelve (12) Months)	$ 91,900	(e)
Road Debt Service Fund as of October 25, 2022	35,545	
Water, Wastewater and Drainage Debt Service Fund as of October 25, 2022	256,539	
Total Funds Available for Debt Service as of October 25, 2022	$383,984	
Operating Funds Available as of October 25, 2022	$56,431	(f)
Capital Projects Funds Available as of October 25, 2022	$11,988	

(a) The 2022 Taxable Assessed Valuation shown herein includes $217,676,357 of certified value and $14,570,011 of uncertified value. The uncertified value represents the opinion of value by the Montgomery Central Appraisal District (the "Appraisal District"); however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on August 1, 2022. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2022 and August 1, 2022, will be certified as of January 1, 2022. See "TAXING PROCEDURES."

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

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

(e) The District will capitalize twelve (12) months of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(f) Excludes approximately $384,295 of Pine Lake Cove operating funds, which cannot be used to pay expenses in any parts of the District outside of the Pine Lake Cove System. See "RISK FACTORS—Operating Funds," "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE—Water and Wastewater Treatment Facilities to Serve Pine Lake Cove," and "THE SYSTEM—Water Supply and Wastewater Treatment."

Investments of the District

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

Outstanding Debt

The District has previously issued $7,000,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in one series and $10,520,000 principal amount of unlimited tax bonds for roads and related improvements in two series, $16,520,000 of which collectively remains outstanding (the "Outstanding Bonds") as of the date hereof. The following table lists the original principal amount of the Outstanding Bonds and the Outstanding Bonds.

Series		Original Principal Amount	Outstanding Bonds
2017	(a)	$ 6,040,000	$ 5,420,000
2018		7,000,000	6,620,000
2021	(a)	4,480,000	4,480,000
Total		$ 17,520,000	$ 16,520,000

(a) Unlimited tax road bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see "Outstanding Debt" in this section) and the Bonds. This schedule does not reflect the fact that twelve (12) months of interest will be capitalized from Bonds proceeds to pay debt service on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2023	$ 948,050.00	$ -	$ 65,351.11	$ 65,351.11	$ 1,013,401.11
2024	1,086,800.00	40,000	91,900.00	131,900.00	1,218,700.00
2025	1,094,025.00	40,000	89,100.00	129,100.00	1,223,125.00
2026	1,095,425.00	45,000	86,300.00	131,300.00	1,226,725.00
2027	1,100,862.50	45,000	83,150.00	128,150.00	1,229,012.50
2028	1,099,906.25	50,000	80,000.00	130,000.00	1,229,906.25
2029	1,106,481.25	50,000	76,500.00	126,500.00	1,232,981.25
2030	1,111,687.50	55,000	73,000.00	128,000.00	1,239,687.50
2031	1,115,475.00	55,000	70,525.00	125,525.00	1,241,000.00
2032	1,128,100.00	60,000	68,050.00	128,050.00	1,256,150.00
2033	1,134,175.00	60,000	65,350.00	125,350.00	1,259,525.00
2034	1,138,137.50	65,000	62,650.00	127,650.00	1,265,787.50
2035	1,140,562.50	70,000	59,725.00	129,725.00	1,270,287.50
2036	1,141,550.00	70,000	56,575.00	126,575.00	1,268,125.00
2037	1,151,437.50	75,000	53,425.00	128,425.00	1,279,862.50
2038	1,154,912.50	80,000	50,050.00	130,050.00	1,284,962.50
2039	1,156,837.50	85,000	46,450.00	131,450.00	1,288,287.50
2040	1,166,106.26	90,000	42,412.50	132,412.50	1,298,518.76
2041	1,163,687.50	95,000	38,137.50	133,137.50	1,296,825.00
2042	1,174,387.50	100,000	33,625.00	133,625.00	1,308,012.50
2043	752,875.00	100,000	28,875.00	128,875.00	881,750.00
2044	276,587.50	110,000	24,125.00	134,125.00	410,712.50
2045	274,575.00	115,000	18,900.00	133,900.00	408,475.00
2046	277,425.00	120,000	12,862.50	132,862.50	410,287.50
2047	-	125,000	6,562.50	131,562.50	131,562.50
Total	$ 23,990,068.76	$ 1,800,000	$ 1,383,601.11	$ 3,183,601.11	$ 27,173,669.87

Average Annual Debt Service Requirements (2023-2047) $1,086,947
Maximum Annual Debt Service Requirement (2042) $1,308,013

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds		As of	Overlapping Percent	Overlapping Amount
Montgomery County	$ 464,200,000		9/30/2022	0.23%	$ 1,067,660
City of Conroe	431,220,000		9/30/2022	1.29%	5,562,738
Conroe Independent School District (a)	1,616,515,000		9/30/2022	0.28%	4,526,242
Willis Independent School District (a)	372,460,000		9/30/2022	0.14%	521,444
Montgomery Independent School District (a)	409,105,000		9/30/2022	0.13%	531,837
Lone Star College System	639,345,000		9/30/2022	0.06%	383,607
The District	18,320,000	(b)	Current	100.00%	18,320,000
Total Direct and Estimated Overlapping Debt					$ 30,913,528

Direct and Estimated Overlapping Debt as a Percentage of:
2022 Taxable Assessed Valuation of $232,246,368 .... 13.31%
Estimated Taxable Assessed Valuation as of August 1, 2022 of $355,893,758 .... 8.69%

(a) Different areas of the District are located within different school districts. See "THE DISTRICT—Description and Location" and "—Overlapping Taxes" herein.
(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2022 tax year by all taxing jurisdictions overlapping the District and the District's 2022 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation	
Montgomery County	$ 0.3742	
Conroe Independent School District	1.1146	(a)
Montgomery County Hospital District	0.0502	
City of Conroe	0.4272	
Lone Star College System	0.1078	
Total Overlapping Tax Rate	$ 2.0740	
The District	0.8800	(b)
Total Tax Rate	$ 2.9540	

(a) Pine Lake Cove is located within the boundaries of Montgomery Independent School District, which set its 2022 tax rate at $1.2289 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in this area of $2.9605 per $100 of taxable assessed valuation. Montgomery Oaks and Heritage Reserve are located within the boundaries of Willis Independent School District, which set its 2022 tax rate at $1.1546 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in these areas of $2.9940 per $100 of taxable assessed valuation.
(b) See "TAX DATA—Historical Tax Rate Distribution."

General Operating Fund

The System serving the Stillwater, Venetian Pines, Montgomery Oaks and Heritage Reserve is owned and operated by the City and no water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the System. Water supply to Pine Lake Cove is provided by an interim water interconnection with Stanley Lake MUD who will meter the usage and bill the District monthly. A permanent water plant is under construction by the District to be ultimately owned and operated by the City with completion expected by the end of 2022. Wastewater treatment is provided by an interim 250,000 gallon per day wastewater treatment plant. The District owns and operates the interim wastewater treatment plant and will bill and collect water and sewer fees from residents within Pine Lake Cove until such time as the permanent wastewater facility is constructed by the District and conveyed to the City for ownership and operation. As a result, the District maintains a separate operating budget for Pine Lake Cove consisting of revenues collected by the District related to the provision of water and sewer to Pine Lake Cove, and expenses incurred solely in the operations and maintenance of the Pine Lake Cove System. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" and "THE SYSTEM."

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for fiscal years ending April 30, 2018 to April 30, 2022. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. This does not include the Pine Lake Cove Operating Fund, which cannot be used to pay expenses in parts of the District outside of the Pine Lake Cove System. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended April 30				
	2022	2021	2020	2019	2018
Revenues					
Property Taxes	$ 326,012	$ 147,250	$ 222,697	$ 200,705	$ 402,598
Water Service	8,102	-	-	-	-
Sewer Service	28,367	-	-	-	-
Penalty and Interest	757	-	-	-	2,259
San Jacinto River Authority Fees	2,176	-	-	-	-
Tap Connection and Inspection	404,621	-	-	-	-
City of Conroe Drainage Tax Rebate	10,433	-	7,026	5,984	3,324
Other Income	188	268	3,728	2,847	115
Total Revenues	$ 780,656	$ 147,518	$ 233,451	$ 209,536	$ 408,296
Expenditures					
Professional Fees	$ 171,653	$ 182,939	$ 134,409	$ 118,990	$ 85,385
Purchased Services	5,006	-	-	-	-
Contracted Services	137,026	20,141	20,376	21,425	22,162
Repairs and Maintenance	158,754	165,511	85,708	124,122	19,895
Utilities	15,816	-	-		
Administrative	21,611	21,177	14,079	14,067	14,876
Other	8,320	7,957	1,946	677	3,279
Total Expenditures	$ 518,186	$ 397,725	$ 256,518	$ 279,281	$ 145,597
Revenues Over (Under) Expenditures	$ 262,470	$ (250,207)	$ (23,067)	$ (69,745)	$ 262,699
Other Sources (Developer Advances)	$ 132,391	$ 100,000	$ -	$ -	$ 63,484
Fund Balance (Beginning of Year)	$ 89,518	$ 239,725	$ 262,792	$ 332,537	$ 6,354
Fund Balance (End of Year)	$ 484,379	$ 89,518	$ 239,725	$ 262,792	$ 332,537

TAX DATA

Debt Service Tax

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

Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 10, 2014, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of assessed valuation and a road maintenance tax at a rate not to exceed $0.25 per $100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. Pursuant to the Utility and Road Agreement between the District and the City, if the District's debt service tax rate for a given year is $0.88 per $100 of taxable assessed valuation or higher, then the District's maintenance and operations tax rate shall not exceed $0.05 per $100 of taxable assessed valuation without written consent from the City. See "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" and "Debt Service Tax" above.

Historical Tax Rate Distribution

	2022	2021	2020	2019	2018
Debt Service	$ 0.56 (a)	$ 0.64	$ 0.74	$ 0.63	$ 0.58
Maintenance and Operations	0.32	0.24	0.14	0.25	0.30
Total	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88

(a) Of such 2022 debt service tax rate, $0.25 per $100 of taxable assessed valuation is currently allocated to pay debt service on water, wastewater and drainage bonds and $0.31 per $100 of taxable assessed valuation is allocated to pay debt service on road bonds.

Additional Penalties

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

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of September 30, 2022 (c) Amount	Percent
2017	$ 45,490,737	$ 0.88	$ 400,318	$ 400,318	100.00%
2018	72,587,409	0.88	638,769	638,769	100.00%
2019	91,054,169	0.88	801,277	801,277	100.00%
2020	101,660,729	0.88	894,614	894,614	100.00%
2021	137,709,037	0.88	1,209,131	1,203,755	99.56%
2022	232,246,368	0.88	2,043,768	(d)	(d)

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
(c) Unaudited.
(d) In process of collection. Taxes for 2022 are due by January 31, 2023.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2018 through 2022 Certified Taxable Assessed Valuations. Breakdowns of the uncertified portion ($14,570,011) of the 2022 Taxable Assessed Valuation of $232,246,368 or the Estimated Taxable Assessed Valuation as of August 1, 2022, of $355,893,758 are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2022 Certified Taxable Assessed Valuation	2021 Certified Taxable Assessed Valuation	2020 Certified Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation	2018 Certified Taxable Assessed Valuation
Land	$ 73,074,235	$ 50,215,920	$ 37,629,390	$ 36,531,830	$ 34,535,620
Improvements	149,600,050	90,198,000	66,448,810	55,030,680	37,913,440
Personal Property	337,195	210,255	376,469	777,985	368,429
Exemptions	(5,335,123)	(2,915,138)	(2,793,940)	(1,286,326)	(230,080)
Total	$ 217,676,357	$ 137,709,037	$ 101,660,729	$ 91,054,169	$ 72,587,409

Principal Taxpayers

The following table represents the ten major taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion ($217,676,357) of the 2022 Taxable Assessed Valuation of $232,246,368. Principal taxpayer list related to the uncertified portion ($14,570,011) of the 2022 Taxable Assessed Valuation of $232,246,368 or the Estimated Taxable Assessed Valuation as of August 1, 2022, of $355,893,758 are not available.

Taxpayer	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
Meritage Homes of Texas LLC (a)(b)	$ 20,815,575	9.56%
Peoples Road-Houston LP (a)	5,915,920	2.72%
Partners in Building LP (b)	3,877,250	1.78%
KPS Land Investments LP (a)	3,268,660	1.50%
EHT of Texas LP	2,210,400	1.02%
Airport Road Conroe LLC (a)	1,984,590	0.91%
Clay Road 628 Development LP (a)	1,713,020	0.79%
Upward America Central Property Owner LP	1,688,120	0.78%
Individual	1,269,370	0.58%
Individual	1,223,860	0.56%
Total	$ 43,966,765	20.20%

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

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2022 Taxable Assessed Valuation of $232,246,368 (consisting of $217,676,357 of certified value and $14,570,011 of uncertified value), and the Estimated Taxable Assessed Valuation as of August 1, 2022, of $355,893,758. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Possible Impact on District Tax Rates" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2023-2047) $1,086,947
$0.50 Tax Rate on the 2022 Taxable Assessed Valuation $1,103,170
$0.33 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2022 .... $1,115,727

Maximum Annual Debt Service Requirement (2042).......... $1,308,013
$0.60 Tax Rate on the 2022 Taxable Assessed Valuation $1,323,804
$0.39 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2022 .... $1,318,586

No representation or suggestion is made that uncertified portion of the 2022 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of August 1, 2022 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount 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 "RISK FACTORS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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, of between $3,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forced who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

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

Tax Abatement

Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the City and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (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. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (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 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 some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) 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 real property in the Appraisal District at least once every three (3) 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 formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss.

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (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 twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

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

Rollback of 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 roll back election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, 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 Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas 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. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District has been designated as a "Developing District" for the 2022 tax year. 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the limitations set forth 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, and by taxpayer redemption rights. A taxpayer may redeem commercial property within six months and all other types of property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," "UTILITY AND ROAD AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes 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 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.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with 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.

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the OFFICIAL STATEMENT.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The District has covenanted in the Bond Resolution that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the Date of Delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2022.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in 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. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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 https://www.standardandpoors.com/en/. 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 September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $512.5 million, $195.6 million and $316.9 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 STATMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at 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 of 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Edminster, Hinshaw, Russ & Associates, Inc. d/b/a EHRA, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as the District's Engineer. Bleyl Engineers and SpearPoint Engineering are designing sections within Pine Lake Cove and Montgomery Oaks, respectively.

Auditor: The District's financial statements for the period from inception to April 30, 2022 were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's April 30, 2022, financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data to the MSRB through EMMA. 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 "SELECTED FINANCIAL INFORMATION," except for Estimated Overlapping Debt, "TAX DATA," and in APPENDIX A (Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2023. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles 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 the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" shall have the meanings ascribed to them under (SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meanings ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The Developers have agreed to provide to the District the information that the District has agreed to provide with respect to the Developers. The Developers have also agreed with the District that they will not assign any of their rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developers' agreement to provide such information, but the Developers may sell their property within the District without any such assumption. The District's ability to provide information about the Developers or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter 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

During the last five years, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

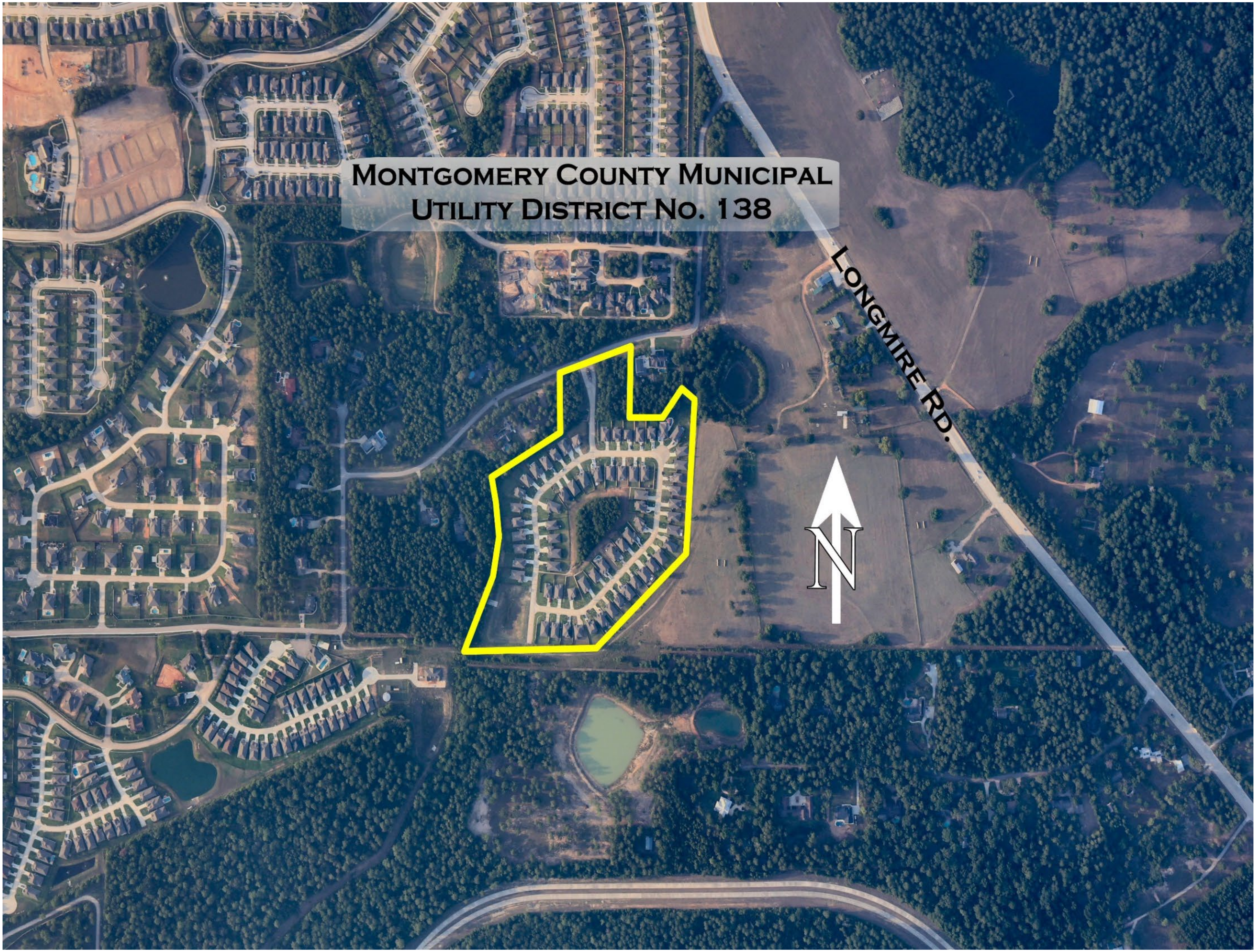
/s/ Guillermo Machado
President, Board of Directors

ATTEST:

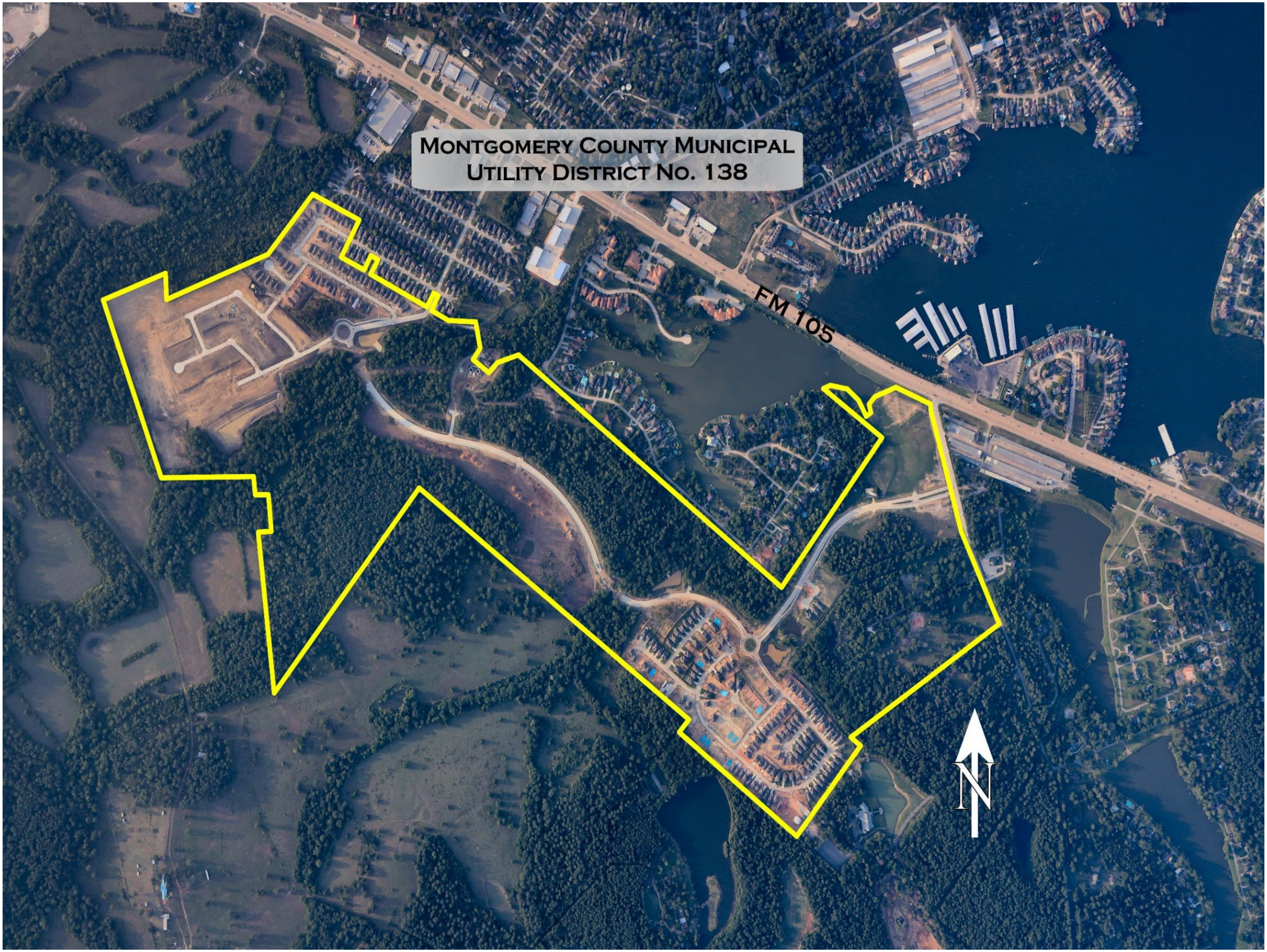
/s/ M. Chance Mock
Secretary, Board of Directors

AERIAL LOCATION MAP
(As of September 2022)

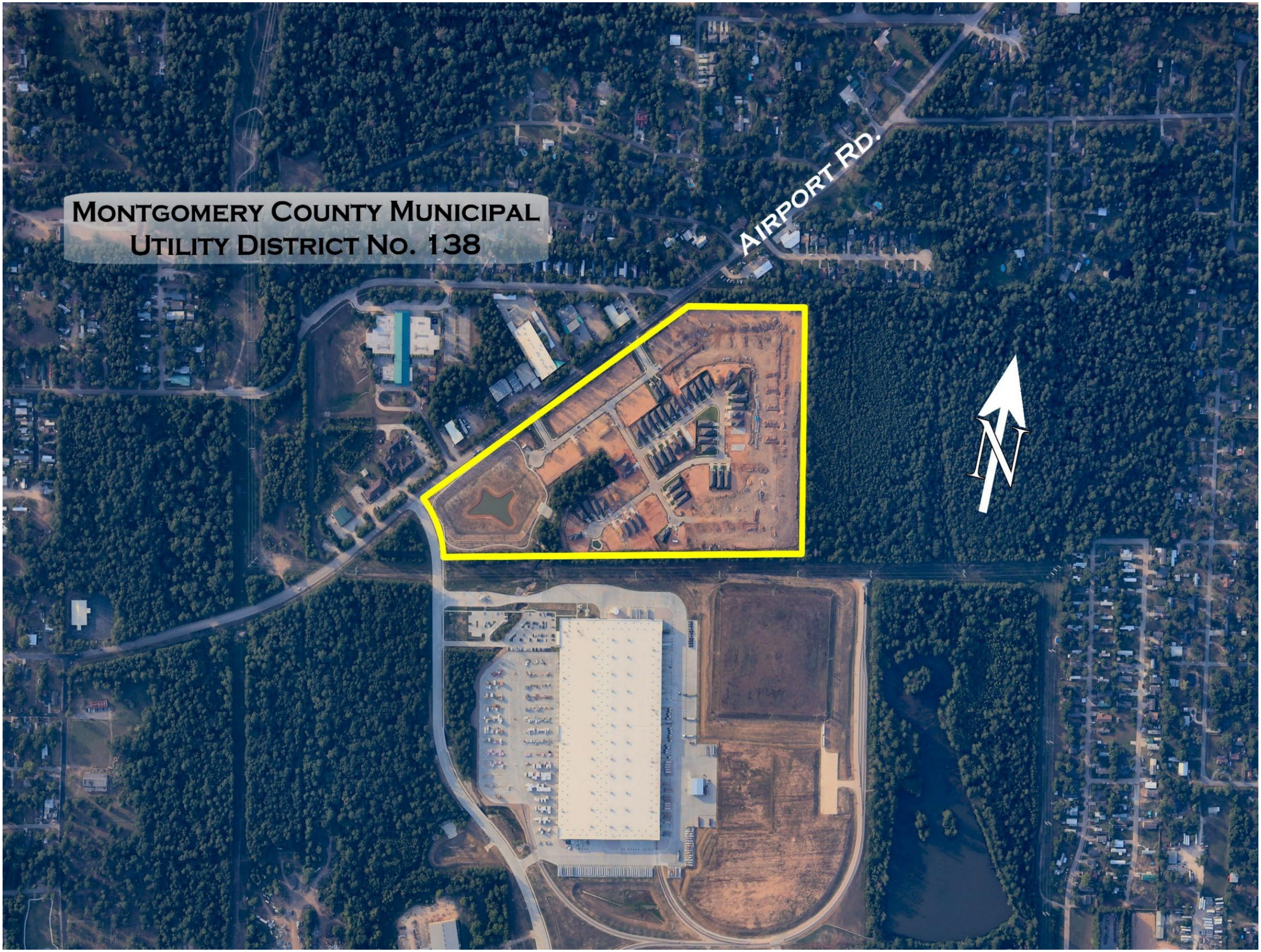

FM 1488
I 45
MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 138
N



Montgomery County Municipal
Utility District No. 138
Longmire Rd.
N


Montgomery County Municipal
Utility District No. 138
FM 105
N


League Line Rd.
Montgomery County Municipal
Utility District No. 138
N


MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 138
AIRPORT RD.
N

PHOTOGRAPHS OF THE DISTRICT
(As of September 2022)


SOLD
NO PARKING ON DRIVEWAY


SOLD


NO PARKING ON DRIVEWAY


NO PARKING ON DRIVEWAY

APPENDIX A

Financial Statement of the District for the fiscal year ended April 30, 2022

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 138

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2022

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 138
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 138 (the "District"), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 138, as of April 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
August 23, 2022

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Montgomery County Municipal Utility District No. 138 (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 April 30, 2022. 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.

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 April 30, 2022, was negative $50,582,984. The District's net position is negative because the District incurs debt to construct water, sewer, drainage and road facilities which it conveys to the City of Conroe. A comparative summary of the District's overall financial position, as of April 30, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	$ 1,630,331	$ 931,393
Capital assets	14,814,461	14,555,634
Total assets	16,444,792	15,487,027
Current liabilities	605,354	445,161
Long-term liabilities	66,422,422	41,439,310
Total liabilities	67,027,776	41,884,471
Net position		
Net investment in capital assets	(2,262,553)	(2,417,689)
Restricted	873,289	738,813
Unrestricted	(49,193,720)	(24,718,568)
Total net position	$ (50,582,984)	$ (26,397,444)

The total net position of the District decreased during the current fiscal year by $24,185,540. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Property taxes, penalties and interest	$ 1,218,316	$ 895,751
Water and sewer service	36,469	
Other	417,852	8,524
Total revenues	1,672,637	904,275
Expenses		
Current service operations	599,513	416,110
Debt interest and fees	509,311	473,063
Developer interest	315,661	
Debt issuance costs	373,733	
Depreciation	242,832	237,812
Total expenses	2,041,050	1,126,985
Change in net position before other item	(368,413)	(222,710)
Other item		
Transfers to other governments	(23,817,127)	(3,778,091)
Change in net position	(24,185,540)	(4,000,801)
Net position, beginning of year	(26,397,444)	(22,396,643)
Net position, end of year	$ (50,582,984)	$ (26,397,444)

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2022, were $1,485,518, which consists of $484,379 in the General Fund, $979,188 in the Debt Service Fund, and $21,951 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 612,741	$ 113,566
Total liabilities	$ 123,004	$ 21,734
Total deferred inflows	5,358	2,314
Total fund balance	484,379	89,518
Total liabilities, deferred inflows and fund balance	$ 612,741	$ 113,566

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

	2022	2021
Total revenues	$ 780,656	$ 147,518
Total expenditures	(518,186)	(397,725)
Revenues over/(under) expenditures	262,470	(250,207)
Other changes in fund balance	132,391	100,000
Net change in fund balance	$ 394,861	$ (150,207)

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and San Jacinto River Authority fees are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The District's developers advance funds to the District as needed to pay operating costs.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 995,639	$ 817,240
Total deferred inflows	$ 16,451	$ 13,829
Total fund balance	979,188	803,411
Total deferred inflows and fund balance	$ 995,639	$ 817,240

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

	2022	2021
Total revenues	$ 886,314	$ 769,053
Total expenditures	(834,174)	(641,948)
Revenues over expenditures	52,140	127,105
Other changes in fund balance	123,637	
Net change in fund balance	$ 175,777	$ 127,105

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the current fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 21,951	$ 587
Total fund balance	$ 21,951	$ 587

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

	2022	2021
Total revenues	$ 1	$ -
Total expenditures	(4,335,000)	
Revenues over/(under) expenditures	(4,334,999)	
Other changes in fund balance	4,356,363	
Net change in fund balance	$ 21,364	$ -

During the current year, the District's capital asset activity was financed with proceeds from the issue of its Series 2021 Unlimited Tax Road Bonds.

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 revenues and 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 $257,472 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of 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 April 30, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets not being depreciated		
Land and improvements	$ 9,722,698	$ 9,446,957
Capital assets being depreciated		
Infrastructure	2,326,740	2,100,822
Amenity improvements	3,806,616	3,806,616
	6,133,356	5,907,438
Less accumulated depreciation		
Infrastructure	(270,729)	(218,229)
Amenity improvements	(770,864)	(580,532)
	(1,041,593)	(798,761)
Depreciable capital assets, net	5,091,763	5,108,677
Capital assets, net	$ 14,814,461	$ 14,555,634

Capital asset additions during the current year include the Venetian Pines ultimate detention basin and Pine Lake Cove, Section 4 – detention.

The District and the City of Conroe (the "City") have entered into an agreement which obligates the District to construct water, wastewater, certain storm drainage and road facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended April 30, 2022, capital assets in the amount of $23,817,127 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 April 30, 2022, the District owes approximately $49,902,422 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $15,138,278 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At April 30, 2022 and 2021, the District had total bonded debt outstanding as shown below:

Series	2022	2021
2017 Road	$ 5,585,000	$ 5,745,000
2018	6,815,000	7,000,000
2021 Road	4,480,000	
	$ 16,880,000	$ 12,745,000

During the current year, the District issued $4,480,000 in unlimited tax road bonds. At April 30, 2022, the District had $164,000,000 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; $30,600,000 for parks and recreational facilities and the refunding of such bonds; and $77,980,000 for road improvements and the refunding of such bonds.

Next Year's Budget

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

	2022 Actual	2023 Budget
Total revenues	$ 780,656	$ 842,124
Total expenditures	(518,186)	(609,226)
Revenues over expenditures	262,470	232,898
Other changes in fund balance	132,391	
Net change in fund balance	394,861	232,898
Beginning fund balance	89,518	484,379
Ending fund balance	$ 484,379	$ 717,277

Property Taxes

The District's property tax base increased approximately $104,246,000 for the 2022 tax year from $137,401,237 to $241,646,811, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Montgomery County Municipal Utility District No. 138
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 170,208	$ 31,895	$ 21,951	$ 224,054	$ -	$ 224,054
Investments	420,152	949,718		1,369,870		1,369,870
Taxes receivable	5,358	16,451		21,809		21,809
Customer service receivables	7,184			7,184		7,184
Internal balances	2,425	(2,425)				
Other receivables	1,123			1,123		1,123
Prepaid items	6,291			6,291		6,291
Capital assets not being depreciated					9,722,698	9,722,698
Capital assets, net					5,091,763	5,091,763
Total Assets	$ 612,741	$ 995,639	$ 21,951	$ 1,630,331	14,814,461	16,444,792
Liabilities						
Accounts payable	$ 32,738	$ -	$ -	$ 32,738		32,738
Other payables	141			141		141
Customer deposits	4,225			4,225		4,225
Builder deposits	4,000			4,000		4,000
Unearned revenue	81,900			81,900		81,900
Accrued interest payable					122,350	122,350
Due to developers					49,902,422	49,902,422
Long-term debt						
Due within one year					360,000	360,000
Due after one year					16,520,000	16,520,000
Total Liabilities	123,004			123,004	66,904,772	67,027,776
Deferred Inflows of Resources						
Deferred property taxes	5,358	16,451		21,809	(21,809)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	6,291			6,291	(6,291)	
Restricted		979,188	21,951	1,001,139	(1,001,139)	
Unassigned	478,088			478,088	(478,088)	
Total Fund Balances	484,379	979,188	21,951	1,485,518	(1,485,518)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 612,741	$ 995,639	$ 21,951	$ 1,630,331		
Net Position						
Net investment in capital assets					(2,262,553)	(2,262,553)
Restricted for debt service					873,289	873,289
Unrestricted					(49,193,720)	(49,193,720)
Total Net Position					$ (50,582,984)	$ (50,582,984)

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 138
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 8,102	$ -	$ -	$ 8,102	$ -	$ 8,102
Sewer service	28,367			28,367		28,367
Property taxes	326,012	878,012		1,204,024	5,105	1,209,129
Penalties and interest	757	7,869		8,626	561	9,187
San Jacinto River Authority fees	2,176			2,176		2,176
Tap connection and inspection	404,621			404,621		404,621
City of Conroe drainage tax rebate	10,433			10,433		10,433
Investment earnings	188	433	1	622		622
Total Revenues	780,656	886,314	1	1,666,971	5,666	1,672,637
Expenditures/Expenses						
Current service operations						
Purchased services	5,006			5,006		5,006
Professional fees	171,653		56,404	228,057		228,057
Contracted services	137,026	18,915		155,941		155,941
Repairs and maintenance	158,754			158,754		158,754
Utilities	15,816			15,816		15,816
Administrative	21,611	4,849		26,460		26,460
Other	8,320	22	1,137	9,479		9,479
Capital outlay			3,588,065	3,588,065	(3,588,065)	
Debt service						
Principal		345,000		345,000	(345,000)	
Interest and fees		465,388		465,388	43,923	509,311
Developer interest			315,661	315,661		315,661
Debt issuance costs			373,733	373,733		373,733
Depreciation					242,832	242,832
Total Expenditures/Expenses	518,186	834,174	4,335,000	5,687,360	(3,646,310)	2,041,050
Revenues Over/(Under) Expenditures/Expenses	262,470	52,140	(4,334,999)	(4,020,389)	3,651,976	(368,413)
Other Financing Sources						
Proceeds from sale of bonds		123,637	4,356,363	4,480,000	(4,480,000)	
Developer advances	132,391			132,391	(132,391)	
Other Items						
Transfers to other governments					(23,817,127)	(23,817,127)
Net Change in Fund Balances	394,861	175,777	21,364	592,002	(592,002)	
Change in Net Position					(24,185,540)	(24,185,540)
Fund Balance/Net Position						
Beginning of the year	89,518	803,411	587	893,516	(27,290,960)	(26,397,444)
End of the year	$ 484,379	$ 979,188	$ 21,951	$ 1,485,518	$ (52,068,502)	$ (50,582,984)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 138 (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 623 of the 83rd Session of the Texas Legislature, dated June 14, 2013, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended, and Texas Special District Local Laws Code, Chapter 8422. The Board of Directors held its first meeting on February 26, 2014 and the first bonds were issued on September 21, 2017.

The District is responsible for providing water, sewer, drainage, parks and recreational facilities and road facilities within the District. As further discussed in Note 10, the District transfers the water and sewer systems and road facilities to the City of Conroe for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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, tap connection and inspection fees, water and sewer service 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 property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, park and recreational 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 investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 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 April 30, 2022, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

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 $50,000 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 wastewater treatment and drainage facilities and amenity improvements, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	40-45 years
Amenity improvements	20 years

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact The District'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 property taxes levied for debt service 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 - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to the City of Conroe and the value of capital assets for which the developers have 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.

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		$ 1,485,518
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 15,856,054	
Less accumulated depreciation	(1,041,593)	
Change due to capital assets		14,814,461
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:		
Bonds payable, net	(16,880,000)	
Interest payable on bonds	(122,350)	
Change due to long-term debt		(17,002,350)
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(49,902,422)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		21,809
Total net position - governmental activities		$ (50,582,984)

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

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

Net change in fund balances - total governmental funds		$ 592,002
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned.		
Property taxes	$ 5,105	
Penalties and interest	561	
		5,666
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	3,588,065	
Depreciation expense	(242,832)	
		3,345,233
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	(4,480,000)	
Principal payments	345,000	
Interest expense accrual	(43,923)	
		(4,178,923)
The District conveys certain facilities to City of Conroe upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(23,817,127)
Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position.*		(132,391)
Change in net position of governmental activities		$ (24,185,540)

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.

As of April 30, 2022, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 420,152		
	Debt Service	949,718		
Total		$ 1,369,870	AAAm	24 days

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 2,425	Maintenance tax collections due to the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 9,446,957	$ 275,741	$ 9,722,698
Capital assets being depreciated			
Infrastructure	2,100,822	225,918	2,326,740
Amenity improvements	3,806,616		3,806,616
	5,907,438	225,918	6,133,356
Less accumulated depreciation			
Infrastructure	(218,229)	(52,500)	(270,729)
Amenity improvements	(580,532)	(190,332)	(770,864)
	(798,761)	(242,832)	(1,041,593)
Subtotal depreciable capital assets, net	5,108,677	(16,914)	5,091,763
Capital assets, net	$ 14,555,634	$ (16,914)	$ 14,814,461

Depreciation expense for the current year was $242,832.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	$ 29,039,310
Developer operating advances	132,391
Developer reimbursements	(3,588,065)
Developer funded capital asset additions	24,318,786
Due to developers, end of year	$ 49,902,422

Note 6 – Due to Developers (continued)

In addition, the District will owe the developers approximately $15,138,278, 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
Pine Lake Cove, Martin Creek Lane - utilities and paving	$ 5,254,625	$ 2,381,313	$ 2,873,312
Pine Lake cove, Section 5 - clearing and grubbing, utilities and paving	3,393,810	490,396	2,903,414
South Pine Lake Road traffic signal	173,224	150,255	22,969
Montgomery Oaks Section 2 - utilities and paving	1,484,812	1,232,689	252,123
Montgomery Oaks Section 2 - paving	1,914,042	560,443	1,353,599
Montgomery Oaks Section 3 and 4 - clearing, grubbing and mass grading	1,025,994		1,025,994
Madeley Creek Preserve, Phase I detention - clearing and grubbing	259,876		
Madeley Creek Preserve, detention basin excavation	595,477		595,477
Pine Lake cove, Section 6 - clearing and grubbing, utilities and paving	1,036,418		1,036,418
	$ 15,138,278	$ 4,815,096	$ 10,063,306

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 16,880,000
Due within one year	$ 360,000

Note 7 – Long-Term Debt (continued)

The District's bonds payable at April 30, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2017 Road	$ 5,585,000	$ 6,040,000	2.00% - 4.00%	September 1, 2019/2042	September 1, March 1	September 1, 2023
2018	6,815,000	7,000,000	3.00% - 4.25%	September 1, 2021/2043	September 1, March 1	September 1, 2024
2021 Road	4,480,000	4,480,000	2.00% - 4.50%	September 1, 2024/2046	September 1, March 1	September 1, 2027
	$ 16,880,000					

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 April 30, 2022, the District had authorized but unissued bonds in the amount of $164,000,000 for water, sewer and drainage facilities and the refunding of such bonds; $30,600,000 for park and recreational facilities and the refunding of such bonds; and $77,980,000 for road improvements and the refunding of such bonds.

On December 16, 2021, the District issued its $4,480,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.853897%. Proceeds of the bonds were used to reimburse developers 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	$ 12,745,000
Bonds issued	4,480,000
Bonds retired	(345,000)
Bonds payable, end of year	$ 16,880,000

Note 7 – Long-Term Debt (continued)

As of April 30, 2022, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	$ 360,000	$ 604,208	$ 964,208
2024	375,000	567,426	942,426
2025	525,000	552,913	1,077,913
2026	550,000	534,726	1,084,726
2027	570,000	515,644	1,085,644
2028	595,000	495,385	1,090,385
2029	615,000	475,695	1,090,695
2030	640,000	456,585	1,096,585
2031	665,000	436,082	1,101,082
2032	690,000	414,289	1,104,289
2033	725,000	391,138	1,116,138
2034	755,000	366,156	1,121,156
2035	785,000	339,351	1,124,351
2036	815,000	311,056	1,126,056
2037	845,000	281,494	1,126,494
2038	885,000	250,676	1,135,676
2039	920,000	218,375	1,138,375
2040	955,000	183,972	1,138,972
2041	1,000,000	147,396	1,147,396
2042	1,035,000	109,037	1,144,037
2043	1,085,000	68,630	1,153,630
2044	705,000	34,730	739,730
2045	255,000	18,080	273,080
2046	260,000	11,000	271,000
2047	270,000	3,712	273,712
	$ 16,880,000	$ 7,787,756	$ 24,667,756

Note 8 – Property Taxes

On May 10, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The voters also authorized the District's Board to levy a road maintenance tax limited to $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. As further described in Note 10, and pursuant to the City of Conroe's ordinance consenting to the District creation, the District's total tax rate cannot exceed $0.88 per $100 of assessed value. Notwithstanding the foregoing, taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 8 – 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 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of $0.88 per $100 of assessed value, of which $0.24 was allocated to maintenance and operations, $0.36 was allocated to water, sewer and drainage debt service, and $0.28 was allocated to road debt service. The resulting tax levy was $1,209,131 on the adjusted taxable value of $137,401,237.

Property taxes receivable, at April 30, 2022, consisted of the following:

Current year taxes receivable	$ 19,647
Penalty and interest receivable	2,162
Property taxes receivable	$ 21,809

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Conroe (the "City"), the District transfers all of its water, sewer, drainage and road facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2022, the District reported transfers to other governments in the amount of $23,817,127 for projects completed and transferred to the City and developer reimbursements for projects completed in previous fiscal years.

Note 10 – Utility and Road Agreement with the City of Conroe

On December 12, 2013, subsequently amended July 23, 2014 and November 6, 2020, the District entered into a utility and road agreement with the City of Conroe (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems, drainage facilities, road and parks facilities to serve the District. As the system is acquired or constructed, the District shall transfer the water and sewer system and roads to the City but will reserve a security interest in the utility system and provide utility service to all users in the District. The City also agreed to provide water and wastewater service to all land within the District. The term of the agreement is 40 years.

In addition, the City and District agreed to share certain road improvement costs. The District's pro-rata share of the applicable road improvements was 60%, while the City's share was 40%. The City has reimbursed the District for the City's share of certain road improvements. The road improvements, to the extent they have been accepted by the City, have been conveyed to the City subject to a one year maintenance period.

Note 10 – Utility and Road Agreement with the City of Conroe (continued)

The agreement allows the District to levy an operation and maintenance tax to pay for its day-to-day operations, provided that the District's combined debt service and operation and maintenance tax in a given year does not exceed $0.88 per $100 in valuation without written consent of the City. However, this provision should not be construed as a limitation on the District's authority to levy an unlimited tax rate as the District bonds will be secured by an unlimited tax pledge. However, if the District's debt service tax rate for a given year is $0.88 or higher, then the District's operation and maintenance tax shall not exceed $0.05 per $100 in valuation without written consent of the City.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

In consideration for the acquisition of the facilities, the revenues generated by the City's water, sewer and drainage tax rate shall be rebated to the District based on the District's assessed valuation. The City is obligated to make an annual payment to the District for the District's portion. During the current year, the District received $10,433 from the City.

On November 6, 2020, the District and the City entered into a Second Amendment which addresses the development the Pine Lake Cove subdivision ("PLC Tract"). Currently the City is unable to provide water and wastewater service to the PLC Tract and has entered into this agreement to have the District construct Central Facilities which would provide for approximately 1100 connections. The Central Facilities will be designed and constructed by the District.

Once completed the Central Facilities (including a water plant, wastewater treatment plant, force main, and lift stations) will be conveyed to the City upon the City's acceptance to be maintain, owned, and operated by the City. The District is authorized to issue bonds to finance the Central Facility costs which will be payable from contract payments received by the City. Contract payments will be issued annually in an amount equal to the tax increment collected by the City on the PLC Tract. Contract Payments received by the City shall be deposited into an Infrastructure Fund and be used only to pay Central Facilities bond principal or interest payments or if bonds have not been issued, payment of the Central Facilities. After the City levies its annual City ad valorem tax, the District will calculate the annual Contract Payment based upon the City ad valorem tax levied upon the PLC Tract. The District will send a request for remittance of the Contract Payment from the City to the District Infrastructure Fund. The Contract Payment will be made by the City by April 30th of each year beginning with tax collections resulting from tax year 2021 and every year thereafter throughout the term of the Central Facilities Bonds.

During the current year, the City paid $817,266 to the District, which was used to reimburse the District's developer for the construction of certain Central Facilities.

Note 11 – Wastewater Treatment Plant Agreement

On April 28, 2020, subsequently amended July 28, 2021, the District entered into a Wastewater Treatment Plant Agreement (the "Agreement") with UA Holdings 1994-5 L.P. ("UAH") and Clay Road 628 Development, L.P. ("the Developer") for the purchase, sale, and operation of a 0.25 million gallon per day wastewater treatment plant (the "Sunrise Ranch Facility"), to serve an approximately 269 acre tract of land within the boundaries of the District ("the Pine Lake Cove Tract").

The purchase price for the Sunrise Ranch Facility is $435,000 to be paid by the Developer on behalf of the District to UAH in installments of $300,000 upon execution of the Agreement, and $135,000 to be held in a separate, dedicated account by the District until transfer of the permit to operate the Facility. During the previous fiscal year, UAH completed the transfer of the permit and the District paid the $135,000, which was funded by a developer.

The District has entered into an operating agreement with Aucoin and Associates (the "Operating Company"), UAH and developers for the operation and maintenance of the Sunrise Ranch Facility. The Operating Company will be compensated by the District with funds advanced by the developers. The District will bill and collect all rates and fees from customers within the District.

The District intends to build a permanent wastewater treatment plant (the "District Plant") with the capability of treating 360,000 gallons per day. It is anticipated that the District Plant will be complete and operational by December 31, 2022. Upon completion of the District Plant, UAH shall terminate operations at the Sunrise Ranch Facility and connect its system to the District Plant. The District will be responsible for operation and maintenance of the District Plant and will issue a utility capacity commitment to UAH to provide wastewater treatment services up to 150 connections for its CCN customers in the Sunrise Ranch Tract.

On July 28, 2021, the District approved the First Amendment to Wastewater Treatment Plant Agreement between the District, Clay Road 628 Development, L.P. ("the Developer") and UA Holding 1994-5 L.P. ("UAH") which reflects the District's intended operation of the Sunrise Ranch Facility. Effective the date of this Agreement until such time as the District's permanent plant is operational, the District will operate and maintain the Sunrise Ranch Facility and will bill and collect all rates and fees from customers within the District. UAH will pay the District for its share of operation and maintenance costs monthly as follows: 1) $2,000 per month for the first five years of operation beginning August 1, 2021; and 2) After five years, the monthly charge may be adjusted for inflation per the consumer price index but must not exceed $3,000 per month. The operating agreement with Aucoin and Associates is terminated effective with execution of this amendment.

Note 12 – Emergency Interconnect and Interim Water Supply Agreement

On July 12, 2019, the District and Stanley Lake Municipal Utility District ("SLMUD") entered into an Emergency Interconnect and Interim Water Supply Agreement for the purchase of interim water supply and water to be used in the event of an emergency. The District designed and constructed at its sole expense the water plant, water line and interconnect facilities with the water line which was conveyed to SLMUD upon completion. During the construction of the water plant and interconnect facilities, SLMUD agreed to provide the District with 400 EFSCs until the interconnected facilities were completed. Water supplied by SLMUD is owned by SLMUD until it passes through the Point of Connection at which time the water shall belong to the District. The District pays SLMUD water rates established for residential users per SLMUD's Rate Order. A first amendment was approved on June 28, 2022 to provide for a total of 800 connections and extend the agreement through December 2024.

The Point of Connection will remain closed during normal operating conditions. In the event either party wishes to draw water through the interconnect without an emergency must only do so with written consent of the supplying district. During an emergency, the party experiencing the emergency may open the interconnect facilities and be supplied water by the other party after providing notice of the emergency to the operator and the other party. Pursuant to the agreement, each District agrees to temporary supply water to the other district in the event of an emergency at the rate outlined in the Agreement. The term of the Agreement is 50 years unless terminated earlier by the parties.

Note 13 – Risk Management

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

Note 14 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness 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. 138
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ -	$ -	$ 8,102	$ 8,102
Sewer service			28,367	28,367
Property taxes	351,624	351,624	326,012	(25,612)
Penalties and interest			757	757
San Jacinto River Authority fees			2,176	2,176
Tap connection and inspection		245,700	404,621	158,921
City of Conroe drainage tax rebate			10,433	10,433
Investment earnings	1,320	1,320	188	(1,132)
Total Revenues	352,944	598,644	780,656	182,012
Expenditures				
Current service operations				
Purchased services			5,006	(5,006)
Professional fees	140,000	141,500	171,653	(30,153)
Contracted services	21,600	162,465	137,026	25,439
Repairs and maintenance	142,226	190,544	158,754	31,790
Utilities		14,758	15,816	(1,058)
Administrative	18,401	20,423	21,611	(1,188)
Other	1,560	1,560	8,320	(6,760)
Total Expenditures	323,787	531,250	518,186	13,064
Revenues Over Expenditures	29,157	67,394	262,470	195,076
Other Financing Sources				
Developer advances		69,995	132,391	62,396
Net Change in Fund Balance	29,157	137,389	394,861	257,472
Fund Balance				
Beginning of the year	89,518	89,518	89,518	
End of the year	$ 118,675	$ 226,907	$ 484,379	$ 257,472

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 revenues and expenditures.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 138
TSI-1. Services and Rates
April 30, 2022

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

[X] Retail Water	[ ] Wholesale Water	[ ] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[X] Parks / Recreation	[ ] Fire Protection	[X] 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:	$ 12.48	3,000	N	$ 2.66	3,001	to	10,000
				3.28	1,001	to	15,000
				3.89	15,001		25,000
				4.44	25,001		35,000
				7.77	35,001	to	no limit
Wastewater:	$ 41.55	3,000	N	$ 5.06	4,000	to	no limit
SJRA Fee*:	$ 2.88	1,000	N	$ 2.88	1,001	to	no limit
LSGCD Fee**:	$ 0.085	1,000	N	$ 0.085	1,001	to	no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 66.07 Wastewater $ 76.98

*The District bills its customers at 100% of the San Jacinto River Authority fee, which is subject to change.
**Lone Star Groundwater Conservation District ("LSGCD") fee

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"	161	161	x 1.0	161
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	161	161		161
Total Wastewater			x 1.0	

See accompanying auditor's report.

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

Gallons pumped into system:	490,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	490,000	100.00%

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

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

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

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

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

5. Location of District:

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

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

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

City(ies) in which the District is located: City of Conroe

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: ______

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

If Yes, by whom? ______

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2022

Purchased services	$ 5,006
Professional fees	
Legal	121,690
Audit	11,000
Engineering	38,963
	171,653
Contracted services	
Bookkeeping	29,525
Tap connection and inspection	107,501
	137,026
Repairs and maintenance	158,754
Utilities	15,816
Administrative	
Directors fees	8,100
Printing and office supplies	6,364
Insurance	1,477
Other	5,670
	21,611
Other	8,320
Total expenditures	$ 518,186

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	84,380 kWh	$ 15,662
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-3. Investments
April 30, 2022

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 420,152
Debt Service			
TexPool - Roads	Variable	N/A	380,612
TexPool	Variable	N/A	569,106
			949,718
Total - All Funds			$ 1,369,870

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-4. Taxes Levied and Receivable
April 30, 2022

	Maintenance Taxes	WSD Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 2,314	$ 6,693	$ 5,536	$ 14,543
2021 Original Tax Levy	322,700	484,049	376,483	1,183,232
Adjustments	7,063	10,595	8,241	25,899
Adjusted Tax Levy	329,763	494,644	384,724	1,209,131
Total to be accounted for	332,077	501,337	390,260	1,223,674
Tax collections:				
Current year	324,405	486,607	378,472	1,189,484
Prior years	2,314	6,693	5,536	14,543
Total Collections	326,719	493,300	384,008	1,204,027
Taxes Receivable, End of Year	$ 5,358	$ 8,037	$ 6,252	$ 19,647
Taxes Receivable, By Years				
2021	$ 5,358	$ 8,037	$ 6,252	$ 19,647

	2021	2020	2019	2018
Property Valuations:				
Land	$ 50,182,740	$ 37,629,390	$ 36,531,830	$ 34,535,620
Improvements	89,980,780	66,448,810	55,055,970	37,975,300
Personal Property	210,255	376,469	777,985	368,429
Exemptions	(2,972,538)	(2,793,940)	(1,311,616)	(291,940)
Total Property Valuations	$ 137,401,237	$ 101,660,729	$ 91,054,169	$ 72,587,409
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.24	$ 0.140	$ 0.250	$ 0.30
Road debt service tax rates	0.28	0.335	0.345	0.58
WSD debt service tax rates	0.36	0.405	0.285	
Total Tax Rates per $100 Valuation	$ 0.88	$ 0.880	$ 0.880	$ 0.88
Adjusted Tax Levy:	$ 1,209,131	$ 894,614	$ 801,277	$ 638,769
Percentage of Taxes Collected to Taxes Levied **	98.38%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 10, 2014
(limited to $0.88 per City of Conroe's consent ordinance)
* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 10, 2014
** 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. 138
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 165,000	$ 198,188	$ 363,188
2024	175,000	193,088	368,088
2025	180,000	187,763	367,763
2026	190,000	182,213	372,213
2027	195,000	176,438	371,438
2028	205,000	170,309	375,309
2029	215,000	163,613	378,613
2030	225,000	156,322	381,322
2031	235,000	148,413	383,413
2032	245,000	140,013	385,013
2033	255,000	131,263	386,263
2034	270,000	121,906	391,906
2035	280,000	111,938	391,938
2036	295,000	101,331	396,331
2037	305,000	90,081	395,081
2038	320,000	78,363	398,363
2039	335,000	66,081	401,081
2040	350,000	52,800	402,800
2041	365,000	38,500	403,500
2042	380,000	23,600	403,600
2043	400,000	8,000	408,000
	$ 5,585,000	$ 2,540,223	$ 8,125,223

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 195,000	$ 256,625	$ 451,625
2024	200,000	250,700	450,700
2025	210,000	244,550	454,550
2026	220,000	238,100	458,100
2027	230,000	231,206	461,206
2028	240,000	223,713	463,713
2029	250,000	215,594	465,594
2030	260,000	206,825	466,825
2031	270,000	197,381	467,381
2032	280,000	187,238	467,238
2033	295,000	176,456	471,456
2034	305,000	164,825	469,825
2035	320,000	152,325	472,325
2036	330,000	139,325	469,325
2037	345,000	125,825	470,825
2038	360,000	111,725	471,725
2039	375,000	97,025	472,025
2040	390,000	81,481	471,481
2041	410,000	64,981	474,981
2042	425,000	47,494	472,494
2043	445,000	29,006	474,006
2044	460,000	9,775	469,775
	$ 6,815,000	$ 3,452,175	$ 10,267,175

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road -by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ -	$ 149,395	$ 149,395
2024		123,638	123,638
2025	135,000	120,600	255,600
2026	140,000	114,413	254,413
2027	145,000	108,000	253,000
2028	150,000	101,363	251,363
2029	150,000	96,488	246,488
2030	155,000	93,438	248,438
2031	160,000	90,288	250,288
2032	165,000	87,038	252,038
2033	175,000	83,419	258,419
2034	180,000	79,425	259,425
2035	185,000	75,088	260,088
2036	190,000	70,400	260,400
2037	195,000	65,588	260,588
2038	205,000	60,588	265,588
2039	210,000	55,269	265,269
2040	215,000	49,691	264,691
2041	225,000	43,915	268,915
2042	230,000	37,943	267,943
2043	240,000	31,624	271,624
2044	245,000	24,955	269,955
2045	255,000	18,080	273,080
2046	260,000	11,000	271,000
2047	270,000	3,712	273,712
	$ 4,480,000	$ 1,795,358	$ 6,275,358

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 360,000	$ 604,208	$ 964,208
2024	375,000	567,426	942,426
2025	525,000	552,913	1,077,913
2026	550,000	534,726	1,084,726
2027	570,000	515,644	1,085,644
2028	595,000	495,385	1,090,385
2029	615,000	475,695	1,090,695
2030	640,000	456,585	1,096,585
2031	665,000	436,082	1,101,082
2032	690,000	414,289	1,104,289
2033	725,000	391,138	1,116,138
2034	755,000	366,156	1,121,156
2035	785,000	339,351	1,124,351
2036	815,000	311,056	1,126,056
2037	845,000	281,494	1,126,494
2038	885,000	250,676	1,135,676
2039	920,000	218,375	1,138,375
2040	955,000	183,972	1,138,972
2041	1,000,000	147,396	1,147,396
2042	1,035,000	109,037	1,144,037
2043	1,085,000	68,630	1,153,630
2044	705,000	34,730	739,730
2045	255,000	18,080	273,080
2046	260,000	11,000	271,000
2047	270,000	3,712	273,712
	$ 16,880,000	$ 7,787,756	$ 24,667,756

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 138
TSI-6. Change in Long-Term Bonded Debt
April 30, 2022

	Bond Issue			
	Series 2017 Road	Series 2018	Series 2021 Road	Totals
Interest rate	2.00% - 4.00%	3.00% - 4.25%	2.00% - 4.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/19 - 9/1/42	9/1/21 - 9/1/43	9/1/24 - 9/1/46	
Beginning bonds outstanding	$ 5,745,000	$ 7,000,000	$ -	$ 12,745,000
Bonds issued			4,480,000	4,480,000
Bonds retired	(160,000)	(185,000)		(345,000)
Ending bonds outstanding	$ 5,585,000	$ 6,815,000	$ 4,480,000	$ 16,880,000
Interest paid during fiscal year	$ 203,063	$ 262,325	$ -	$ 465,388

Paying agent's name and city
All Series — The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Facilities	Road Bonds
Amount Authorized by Voters	$ 171,000,000	$ 30,600,000	$ 88,500,000
Amount Issued	(7,000,000)		(10,520,000)
Remaining To Be Issued	$ 164,000,000	$ 30,600,000	$ 77,980,000

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

Debt Service Fund cash and investment balances as of April 30, 2022: $ 981,613

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 986,710

See accompanying auditor’s report.

Montgomery County Municipal Utility District No. 138
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Water service	$ 8,102	$ -	$ -	$ -	$ -
Sewer service	28,367				
Property taxes	326,012	147,250	222,697	200,705	402,598
Penalties and interest	757				2,259
San Jacinto River Authority fees	2,176				
Tap connection and inspection	404,621				
City of Conroe drainage tax rebate	10,433		7,026	5,984	3,324
Investment earnings	188	268	3,728	2,847	115
Total Revenues	780,656	147,518	233,451	209,536	408,296
Expenditures					
Current service operations					
Purchased services	5,006				
Professional fees	171,653	182,939	134,409	118,990	85,385
Contracted services	137,026	20,141	20,376	21,425	22,162
Repairs and maintenance	158,754	165,511	85,708	124,122	19,895
Utilities	15,816				
Administrative	21,611	21,177	14,079	14,067	14,876
Other	8,320	7,957	1,946	677	3,279
Total Expenditures	518,186	397,725	256,518	279,281	145,597
Revenues Over/(Under) Expenditures	$ 262,470	$ (250,207)	$ (23,067)	$ (69,745)	$ 262,699

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
1%				
4%				
42%	100%	95%	96%	98%
*				1%
*				
52%				
1%		3%	3%	1%
*	*	2%	1%	*
100%	100%	100%	100%	100%
1%				
22%	124%	58%	57%	21%
18%	14%	9%	10%	5%
20%	112%	37%	59%	5%
2%				
3%	14%	6%	7%	4%
1%	5%	1%	*	1%
67%	269%	111%	133%	36%
33%	(169%)	(11%)	(33%)	64%

Montgomery County Municipal Utility District No. 138
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	$ 878,012	$ 756,805	$ 559,874	$ 434,289	$ -
Penalties and interest	7,869	3,992	1,275	1,585	
City of Conroe drainage tax rebate		7,599			
Investment earnings	433	657	9,987	7,971	243
Total Revenues	886,314	769,053	571,136	443,845	243
Expenditures					
Administrative	23,764	17,595	14,778	14,453	122
Other	22	790	1,939	1,970	
Debt service					
Principal	345,000	150,000	145,000		
Interest and fees	465,388	473,563	476,513	304,898	93,939
Total Expenditures	834,174	641,948	638,230	321,321	94,061
Revenues Over/(Under) Expenditures	$ 52,140	$ 127,105	$ (67,094)	$ 122,524	$ (93,818)

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
99%	98%	98%	98%	
1%	1%	*	*	
	1%			
*	*	2%	2%	100%
100%	100%	100%	100%	100%
3%	2%	3%	3%	50%
*	*	*	*	
39%	20%	25%		
53%	62%	83%	69%	38658%
95%	84%	111%	72%	38708%
5%	16%	(11%)	28%	(38,608%)

Montgomery County Municipal Utility District No. 138
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2022

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	September 22, 2020
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Guillermo Machado	05/20 - 05/24	$ 1,650	$ 359	President
Sumahan Bonnerjee	06/18 - 05/22	1,800	378	Vice President
Chance Mock	06/18 - 05/22	1,350	322	Secretary
Vincent Smith	09/20 - 05/24	1,650	196	Assistant Vice President
Starsky Wallin	12/19 - 05/22	1,650	403	Assistant Secretary
		Amounts Paid		
Consultants				
Allen Boone Humphries Robinson LLP	02/14			Attorney
General legal fees		$ 121,735		
Bond counsel		131,519		
McLennan & Associates, LP	02/14	32,703		Former Bookkeeper
Myrtle Cruz, Inc	02/22	3,500		Bookkeeper
Hays Utility North Corporation	07/21	128,026		Operator
Utility Tax Service, LLC	02/14	10,985		Tax Collector
Montgomery Central Appraisal District	Legislation	8,478		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, L.L.P.	02/14	453		Delinquent Tax Attorney
EHRA Engineering	02/14	59,699		Engineer
McGrath & Co., PLLC	05/14	17,600		Auditor
Masterson Advisors LLC	06/18	97,564		Financial Advisor
Stuckey's	08/18	32,141		Operator/Mower

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

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

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

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

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

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)