OFFICIAL STATEMENT DATED NOVEMBER 7, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 128A, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have **not** been designated as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

Series 2022 Bonds: S&P Global Ratings (BAM Insured) .... "AA"
Series 2022 Bonds: Moody's Investors Service, Inc. (Underlying) .... "Baa3"
Series 2022A Road Bonds: S&P Global Ratings (AGM Insured) .... "AA"
Series 2022A Road Bonds: Moody's Investors Service, Inc. (AGM Insured) .... "A1"
Series 2022A Road Bonds: Moody's Investors Service, Inc. (Underlying) .... "Baa3"
See "MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS," MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS," and "MUNICIPAL BOND RATINGS."

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 128A

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

\$12,055,000	**\$2,500,000**
Unlimited Tax Bonds	**Unlimited Tax Road Bonds**
Series 2022	**Series 2022A**

Dated: December 1, 2022
Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$12,055,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds"), and the \$2,500,000 Unlimited Tax Road Bonds, Series 2022A (the "Series 2022A Road Bonds," and together with the Series 2022 Bonds, the "Bonds"), are obligations of Montgomery County Municipal Utility District No. 128A (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially, Zions Bancorporation, National Association (Amegy Bank Division), Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (on or about December 6, 2022) (the "Date of Delivery"), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and, thereafter, from the most recent Interest Payment Date. Interest will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. See "THE BONDS" herein.

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. 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, as herein defined, directly to DTC, which, will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

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

The scheduled payment of principal of and interest on the Series 2022 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2022 Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").**

The scheduled payment of principal of and interest on the Series 2022A Road Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2022A Road Bonds by **ASSURED GUARANTY MUNICIPAL CORP. ("AGM").**

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, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source and Security for Payment."

Investment in the Bonds is subject to certain investment considerations as described herein. Prospective purchasers of the Bonds should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about December 6, 2022.

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

$12,055,000 Unlimited Tax Bonds, Series 2022

$3,330,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373F (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373F (b)
2024	$ 260,000	6.500%	4.000%	EA1	2029	$ 340,000	6.500%	4.220%	EF0
2025	275,000	6.500%	4.100%	EB9	2030 (c)	355,000	4.000%	4.300%	EG8
2026	290,000	6.500%	4.150%	EC7	2031 (c)	375,000	4.000%	4.400%	EH6
2027	305,000	6.500%	4.180%	ED5	2032 (c)	395,000	4.250%	4.500%	EJ2
2028	320,000	6.500%	4.200%	EE3	2033 (c)	415,000	4.250%	4.600%	EK9

$8,725,000 Term Bonds

$895,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 5.000% (Price: $101.768) (a), CUSIP No. 61373F EM5 (b)

$995,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 5.000% (Price: $100.584) (a), CUSIP No. 61373F EP8 (b)

$1,100,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 5.000% (Price: $100.000) (a), CUSIP No. 61373F ER4 (b)

$1,880,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 5.000% (Price: $98.875) (a), CUSIP No. 61373F EU7 (b)

$3,855,000 Term Bond Due September 1, 2047 (c)(d), Interest Rate: 5.000% (Price: $98.250) (a), CUSIP No. 61373F EZ6 (b)

$2,500,000 Unlimited Tax Road Bonds, Series 2022A

$375,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373F (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373F (b)
2024	$ 55,000	6.500%	4.000%	FA0	2027	$ 65,000	6.500%	4.180%	FD4
2025	60,000	6.500%	4.100%	FB8	2028	65,000	6.500%	4.200%	FE2
2026	60,000	6.500%	4.150%	FC6	2029	70,000	6.500%	4.220%	FF9

$2,125,000 Term Bonds

$155,000 Term Bond Due September 1, 2031 (c)(d), Interest Rate: 4.000% (Price: $97.119) (a), CUSIP No. 61373F FH5 (b)

$165,000 Term Bond Due September 1, 2033 (c)(d), Interest Rate: 4.500% (Price: $99.153) (a), CUSIP No. 61373F FK8 (b)

$185,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 5.000% (Price: $101.768) (a), CUSIP No. 61373F FM4 (b)

$205,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 5.000% (Price: $100.584) (a), CUSIP No. 61373F FP7 (b)

$225,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 5.000% (Price: $100.000) (a), CUSIP No. 61373F FR3 (b)

$390,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 5.000% (Price: $98.875) (a), CUSIP No. 61373F FU6 (b)

$800,000 Term Bond Due September 1, 2047 (c)(d), Interest Rate: 5.000% (Price: $98.250) (a), CUSIP No. 61373F FZ5 (b)

(a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Initial Purchaser (defined herein) and may subsequently be changed.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and will be included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on and after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2029, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."

(d) Such Bonds are also subject to mandatory sinking fund redemption as more fully described herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056 upon payment of the costs for duplication thereof.

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 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 the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "GENERAL CONSIDERATIONS – Updating of Official Statement."

BAM makes no representation regarding the Series 2022 Bonds or the advisability of investing in the Series 2022 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS" and "APPENDIX B."

AGM makes no representation regarding the Series 2022A Road Bonds or the advisability of investing in the Series 2022A Road Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the headings "MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS" and "APPENDIX C."

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.

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Series 2022 Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Series 2022 Bond Initial Purchaser"). The Series 2022 Bond Initial Purchaser has agreed to purchase the Series 2022 Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.000000% of the principal amount thereof, which resulted in a net effective interest rate of 5.189383%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Series 2022A Road Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Series 2022A Road Bond Initial Purchaser"). The Series 2022A Road Bond Initial Purchaser has agreed to purchase the Series 2022A Road Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.006012% of the principal amount thereof, which resulted in a net effective interest rate of 5.200183%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Series 2022 Bond Initial Purchaser and the Series 2022A Road Bond Initial Purchaser are collectively referred to as the "Initial Purchaser" throughout this Official Statement.

Prices and Marketability

Other than as set forth in the Official Notices of Sale, the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS

The Series 2022 Bond Insurance Policy

Concurrently with the issuance of the Series 2022 Bonds, BAM will issue its Municipal Bond Insurance Policy for the Series 2022 Bonds (the "Series 2022 Bond Policy"). The Series 2022 Bond Policy guarantees the scheduled payment of principal of and interest on the Series 2022 Bonds when due as set forth in the form of the Series 2022 Bond Policy included as "APPENDIX B."

The Series 2022 Bond Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2022 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 Series 2022 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2022 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 Series 2022 Bond Policy), and BAM does not guarantee the market price or liquidity of the Series 2022 Bonds, nor does it guarantee that the rating on the Series 2022 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2022, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $490.5 million, $187.1 million, and $303.4 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 Series 2022 Bonds or the advisability of investing in the Series 2022 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS."

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 Series 2022 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 Series 2022 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2022 Bonds, whether at the initial offering or otherwise.

MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS

The Series 2022A Road Bond Insurance Policy

Concurrently with the issuance of the Series 2022A Road Bonds, AGM will issue its Municipal Bond Insurance Policy for the Series 2022A Road Bonds (the "Series 2022A Road Bond Policy"). The Series 2022A Road Bond Policy guarantees the scheduled payment of principal of and interest on the Series 2022A Road Bonds when due as set forth in the form of the Series 2022A Road Bond Policy included as "APPENDIX C."

The Series 2022A Road Bond Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of S&P, "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Capitalization of AGM

At September 30, 2022:

- The policyholders' surplus of AGM was approximately $2,660 million.
- The contingency reserve of AGM was approximately $915 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,102 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022;

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 2022); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (filed by AGL with the SEC on November 8, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2022A Road Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Series 2022A Road Bonds or the advisability of investing in the Series 2022A Road Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS."

MUNICIPAL BOND RATINGS

The Series 2022 Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policies by BAM at the time of delivery of the Series 2022 Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Series 2022A Road Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Series 2022A Road Bond Policy by AGM at the time of delivery of the Series 2022A Road Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Series 2022A Road Bonds will receive an insured rating of "A1" from Moody's solely in reliance upon the issuance of the Series 2022A Road Bond Policy by AGM at the time of delivery of the Series 2022A Road Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Series 2022A Road Bonds.

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

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

[*Remainder of this page intentionally left blank.*]

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The District	Montgomery County Municipal Utility District No. 128A (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."
The Bonds	The District is issuing $12,055,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds"), and $2,500,000 Unlimited Tax Road Bonds, Series 2022A (the "Series 2022A Road Bonds," and together with the Series 2022 Bonds, the "Bonds"). The Bonds are dated December 1, 2022, and mature on September 1 in the years and in the amounts set forth on the inside cover hereof. Interest on the Bonds accrues from the initial date of delivery (on or about December 6, 2022) (the "Date of Delivery"), and is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2023, until the earlier of maturity or redemption. "THE BONDS."
Redemption Provisions	The Bonds that mature on or after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2029, or on any date thereafter, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The Series 2022 Bonds that mature on September 1 in each of the years 2035, 2037, 2039, 2042, and 2047 are term bonds (the "Series 2022 Term Bonds") that are also subject to mandatory sinking fund redemption provisions as set out herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*." The Series 2022A Road Bonds that mature on September 1 in each of the years 2031, 2033, 2035, 2037, 2039, 2042, and 2047 are term bonds (the "Series 2022A Road Term Bonds," and together with the Series 2022 Term Bonds, the "Term Bonds") that are also subject to mandatory sinking fund redemption provisions as set out herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the

District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any entity other than the District. See "THE BONDS – Source and Security for Payment."

Authority for Issuance.. At an election held within the District on May 6, 2017, voters of the District authorized the District's issuance of a total of $132,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a waterworks, sanitary sewer and storm drainage system serving the District (the "Utility System"), $42,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"), and $56,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District (the "Park System").

The Series 2022 Bonds represent the District's third series of bonds to be issued for the purpose of constructing or acquiring the Utility System, and the Series 2022A Road Bonds represent the District's third series of bonds to be issued for the purpose of constructing or acquiring the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $109,060,000 for the Utility System, $31,345,000 for the Road System, and $56,000,000 for the Park System.

The Series 2022 Bonds are issued by the District pursuant to the terms and provisions of the Utility Bond Order (herein defined); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality (the "TCEQ"); and the election held within the District described above. See "THE BONDS – Authority for Issuance."

The Series 2022A Road Bonds are issued by the District pursuant to the terms and provisions of the Road Bond Order (herein defined); Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; and the election held within the District described above. See "THE BONDS – Authority for Issuance."

Outstanding Bonds .... The District has previously issued the following series of bonds for the Utility System: $6,075,000 Unlimited Tax Bonds, Series 2020, and $4,810,000 Unlimited Tax Bonds, Series 2021. As of the Date of Delivery, $10,710,000 principal amount of such previously issued bonds for the Utility System will remain outstanding (the "Outstanding Utility System Bonds"). In addition, the District has previously issued the following series of bonds for the Road System: $4,000,000 Unlimited Tax Road Bonds, Series 2020A, and $4,155,000 Unlimited Tax Road Bonds, Series 2021A. As of the Date of Delivery, $8,040,000 principal amount of such previously issued bonds for the Road System will remain outstanding (the "Outstanding Road System Bonds," and together with the Outstanding Utility System Bonds, the "Outstanding Bonds").

Payment Record... The District has never defaulted on the timely payment of debt service due on its prior bonded indebtedness.

Use of Utility Bond Proceeds	Proceeds from the sale of the Series 2022 Bonds will be used to reimburse the Developer (herein defined) for the costs to design and construct water, wastewater, and drainage facilities serving certain developed sections within the District. Proceeds will also be used to pay costs of issuance of the Series 2022 Bonds. See "USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS."
Use of Road Bond Proceeds	Proceeds from sale of the Series 2022A Road Bonds will be used to reimburse the Developer for expenditures associated with certain road improvements serving the District: TWH Section 5, 14, and 17. In addition, proceeds from sale of the Series 2022A Road Bonds will be used to pay six (6) months of capitalized interest on the Series 2022A Road Bonds and to pay costs of issuance of the Series 2022A Road Bonds. See "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS."
Not Qualified Tax-Exempt Obligations	The District has **not** designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS – Not Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	*Series 2022 Bonds:* Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS." *Series 2022A Road Bonds:* Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS."
Municipal Bond Ratings	*Series 2022 Bonds:* S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. ("Moody's") (Underlying): "Baa3." See "MUNICIPAL BOND RATINGS." *Series 2022A Road Bonds:* S&P Global Ratings (AGM Insured): "AA." Moody's (AGM Insured): "A1." Moody's (Underlying): "Baa3." See "MUNICIPAL BOND RATINGS."
Bond Counsel	Schwartz, Page & Harding, L.L.P., Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description	Montgomery County Municipal Utility District No. 128 ("MUD 128") was created by Chapter 867 (Senate Bill 2504), Acts of the 81st Legislature, Regular Session, 2009, codified at Chapter 8355 of the Texas Special District Local Laws Code (the "Code"), in accordance with Article XVI, Section 59 of the Texas Constitution. Pursuant to Section 8355.105 of the Code, on February 15, 2017, the Board of Directors of MUD 128 adopted an order dividing MUD 128 into two distinct districts, the District and Montgomery County Municipal Utility District No. 128B, and thereby created the District. The creation of the District was confirmed at an election held within the District on May 6, 2017. The District encompasses approximately 853.128 total acres and is situated entirely within Montgomery County, Texas, entirely within the corporate limits the City of Conroe, Texas (the "City"), and entirely within Willis Independent School District. The District is located approximately 8 miles north

of the central portion of the City and approximately 1 mile west of the intersection of Interstate Highway 45 and Farm to Market Road 830. See "THE DISTRICT."

Authority .... The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas, the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8355 of the Code. See "THE DISTRICT – General."

The Developer.. HF Holding Company, LLC, a Delaware limited liability company (the "Developer"), is the developer of land in the District. The Developer is a subsidiary of The Howard Hughes Corporation, a Delaware corporation. The Howard Hughes Corporation is a public company whose stock is traded on the New York Stock Exchange under the symbol HHC. See "THE DEVELOPER."

Status of Development .... The District is being developed as the master-planned residential community known as The Woodlands Hills. To date, approximately 1,388 single-family lots have been developed within the following single-family residential subdivisions: TWDC-HHC, Sections 1, 2, 3, 4, and 5 and The Woodlands Hills, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 12A, 13, 14, 15, 16, 17, 18, 19, 21, and 22. As of October 1, 2022, development within the District consisted of approximately 821 completed homes (approximately 781 occupied, 40 unoccupied (including 17 model homes)), approximately 90 homes under construction, and approximately 477 vacant, developed lots. In addition, the residential subdivisions of The Woodlands Hills, Sections 20, 23, and 25 are currently under construction, and, upon completion, such sections will include a total of approximately 102 single-family lots available for additional home construction.

The subdivisions referenced above encompass a total of approximately 492.16 acres, inclusive of lands for parks, open spaces, reserves, and road rights-of-way. The remainder of the land within the District consists of approximately 17.55 acres for Village Park, a recreation center in the District, approximately 16.17 acres for roadways, approximately 114.51 undevelopable acres, and approximately 212.74 acres that are available for additional development. See "STATUS OF DEVELOPMENT."

Homebuilders Within the District................. Homebuilders active within the District include Century Communities, Chesmar Homes, David Weekley Homes, Gehan Homes, K. Hovnanian Homes, Highland Homes, Perry Homes, Ravenna Homes, and Westin Homes. New homes being constructed in the District range in price from approximately $394,000 to approximately $761,000 and in size from approximately 2,150 to 3,583 square feet. See "STATUS OF DEVELOPMENT – Homebuilders Active within the District."

Infectious Disease Outlook (COVID-19)...... The purchase and ownership of the Bonds is subject to certain investment considerations including certain factors related to the current COVID-19 pandemic. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outlook (COVID-19)."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2022 Taxable Assessed Valuation	$	263,547,325	(a)
Estimated Valuation as of August 15, 2022	$	365,965,342	(b)
Direct Debt			
The Outstanding Utility System Bonds	$	10,710,000	
The Outstanding Road System Bonds	$	8,040,000	
The Series 2022 Bonds	$	12,055,000	
The Series 2022A Road Bonds	$	2,500,000	
Total	$	33,305,000	
Estimated Overlapping Debt	$	29,122,093	(c)
Total Direct and Estimated Overlapping Debt	$	62,427,093	(c)
Direct Debt Ratio:			
As a Percentage of 2022 Taxable Assessed Valuation		12.64	%
As a Percentage of Estimated Valuation as of August 15, 2022		9.10	%
Direct and Estimated Overlapping Debt Ratio:			
As a Percentage of 2022 Taxable Assessed Valuation		23.69	%
As a Percentage of Estimated Valuation as of August 15, 2022		17.06	%
Debt Service Funds Available for Utility System Bonds (as of September 28, 2022)	$	287,288	(d)
Debt Service Funds Available for Road System Bonds (as of September 28, 2022)	$	261,073	(e)
Operating Fund Balance (as of September 28, 2022)	$	764,680	

(a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2022, as provided by the Montgomery Central Appraisal District. Such value includes $27,522,293 of assessed valuation that remains uncertified and that is subject to protest, review, and downward adjustment prior to certification. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Montgomery Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of August 15, 2022, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022, through August 15, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Although the Outstanding Utility System Bonds and Series 2022 Bonds have been issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing the Utility System or to refund such bonds ("Utility System Bonds") and bonds issued for the purpose of financing the Road System or to refund such bonds ("Road System Bonds").

(e) In addition to this amount, upon closing and delivery of the Series 2022A Road Bonds, six (6) months of capitalized interest on the Series 2022A Road Bonds will be deposited in the sub-account of the District's Debt Service Fund for payment of debt service on the Series 2022A Road Bonds. Such funds are reserved for payment of debt service on bonds issued by the District for the Road System and are not available for payment of debt service on bonds issued for the Utility System. See "THE BONDS – Funds." Although the Outstanding Road System Bonds and the Series 2022A Road Bonds have been and are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Utility System Bonds and Road System Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2022 Tax Rate			
Debt Service		$0.90	
Maintenance and Operations		$0.20	
Total		$1.10	
Average Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2023–2047)	$	1,440,740	(a)
Maximum Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2045)	$	1,535,675	(a)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2023–2047) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.58	
Based on Estimated Valuation as of August 15, 2022		$0.42	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2045) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.62	
Based on Estimated Valuation as of August 15, 2022		$0.45	
Average Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2023–2047)	$	613,622	(b)
Maximum Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2045)	$	661,863	(b)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2023–2047) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.25	
Based on Estimated Valuation as of August 15, 2022		$0.18	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2045) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.27	
Based on Estimated Valuation as of August 15, 2022		$0.20	

(a) Requirement of debt service on the Outstanding Utility System Bonds and the Series 2022 Bonds. See "DISTRICT DEBT – Utility Debt Service Requirements."

(b) Requirement of debt service on the Outstanding Road System Bonds and the Series 2022A Road Bonds. See "DISTRICT DEBT – Road Debt Service Requirements."

OFFICIAL STATEMENT
relating to
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 128A

$12,055,000	$2,500,000
UNLIMITED TAX BONDS	UNLIMITED TAX ROAD BONDS
SERIES 2022	SERIES 2022A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 128A (the "District") of its $12,055,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds"), and its $2,500,000 Unlimited Tax Road Bonds, Series 2022A (the "Series 2022A Road Bonds"). The Series 2022 Bonds and Series 2022A Road Bonds are herein referred to collectively as the "Bonds."

The Series 2022 Bonds are issued pursuant to (i) the bond order adopted by the Board of Directors of the District on the date of the sale of the Series 2022 Bonds authorizing the issuance of the Series 2022 Bonds (the "Utility Bond Order"), (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on May 6, 2017, and (iv) an order issued by the Texas Commission on Environmental Quality ("TCEQ").

The Series 2022A Road Bonds are issued pursuant to (i) the bond order (the "Road Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Series 2022A Road Bonds authorizing the issuance of the Series 2022A Road Bonds, (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and (iii) an election held within the District on May 6, 2017.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the "Bond Order" or "Bonds Orders."

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders, copies of which are available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Orders authorize the issuance and sale of the related series of Bonds and prescribe the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated December 1, 2022. Interest accrues from the initial date of delivery (on or about December 6, 2022) (the "Date of Delivery"), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 6, 2017, voters of the District authorized a total of $132,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing a waterworks, sanitary sewer and storm drainage system serving the District (the "Utility System"); and $42,000,000 in principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"). After the issuance of the Bonds, a total of $109,060,000 in principal amount of unlimited tax bonds for the Utility System, as well as a total of $31,345,000 in principal amount of unlimited tax bonds for the Road System, will remain authorized but unissued.

The Series 2022 Bonds are issued by the District pursuant to the terms and provisions of the Utility Bond Order; Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an order of the TCEQ; and the election held within the District described above.

The Series 2022A Road Bonds are issued by the District pursuant to the terms and provisions of the Road Bond Order; Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; and the election held within the District described above.

At the above-described election, voters in the District also authorized the District's issuance of a total of $56,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities in the District (the "Park System"). To date, the District has issued no bonds from such voted authorization. See "Financing Recreational Facilities" below.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas (the "City"); or any political subdivision or entity other than the District.

Funds

The Bond Orders confirm the establishment of the District's Debt Service Fund pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance the Utility System ("Utility System Bonds") from funds received to pay debt service on bonds issued to finance the Road System ("Road System Bonds"). The Bond Orders also confirm the District's Construction Fund, including the sub-accounts which are used to separate proceeds from Utility System Bonds and Road System Bonds.

An amount equal to six (6) months of interest on the Series 2022A Road Bonds will be deposited from the proceeds from sale of the Series 2022A Road Bonds into the sub-accounts of the Debt Service Fund created in respect of the Road System Bonds, as applicable. All remaining proceeds of the Series 2022A Road Bonds will be deposited in the sub-accounts of the Construction Fund created in respect of Utility System Bonds and Road System Bonds, as applicable.

The proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Orders shall be deposited, as collected, into the sub-accounts of the Debt Service Fund created in respect of Utility System Bonds or Road System Bonds, as applicable. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District.

Funds in the sub-accounts created in respect of Utility System Bonds are to be used for payment of debt service on the Series 2022 Bonds, the Outstanding Utility System Bonds, and any additional Utility System Bonds hereafter issued and, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt

Service Fund created in respect of Utility System Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar (herein defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Series 2022 Bonds, the Outstanding Utility System Bonds, and any additional Utility System Bonds hereafter issued and, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility System Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road System Bonds, will not be allocated to the payment of the Series 2022 Bonds.

Funds in the sub-accounts created in respect of Road System Bonds are to be used for payment of debt service on the Series 2022A Road Bonds, the Outstanding Road System Bonds, and any additional Road System Bonds hereafter issued and payable in whole or part from taxes. Amounts on deposit in the sub-account of the Debt Service Fund created in respect of Road System Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Series 2022A Road Bonds, the Outstanding Road System Bonds, and any additional Road System Bonds hereafter issued and payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Road System Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect to Utility System Bonds, will not be allocated to the payment of the Series 2022A Road Bonds.

Record Date

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

Redemption Provisions

Mandatory Redemption

The Series 2022 Bonds maturing on September 1 in each of the years 2035, 2037, 2039, 2042, and 2047 (the "Series 2022 Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, 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:

$895,000 Series 2022 Term Bond Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2034	$ 435,000
September 1, 2035 (Maturity)	$ 460,000

$995,000 Series 2022 Term Bond Maturing on September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 485,000
September 1, 2037 (Maturity)	$ 510,000

$1,100,000 Series 2022 Term Bond Maturing on September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2038	$ 535,000
September 1, 2039 (Maturity)	$ 565,000

$1,880,000 Series 2022 Term Bond Maturing on September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2040	$ 595,000
September 1, 2041	$ 625,000
September 1, 2042 (Maturity)	$ 660,000

$3,855,000 Series 2022 Term Bond Maturing on September 1, 2047

Mandatory Redemption Date	Principal Amount
September 1, 2043	$ 695,000
September 1, 2044	$ 730,000
September 1, 2045	$ 770,000
September 1, 2046	$ 810,000
September 1, 2047 (Maturity)	$ 850,000

The Series 2022A Road Bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039, 2042, and 2047 (the "Series 2022A Road Term Bonds," and together with the Series 2022 Term Bonds, the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, 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:

$155,000 Series 2022A Road Term Bond Maturing on September 1, 2031

Mandatory Redemption Date	Principal Amount
September 1, 2030	$ 75,000
September 1, 2031 (Maturity)	$ 80,000

$165,000 Series 2022A Road Term Bond Maturing on September 1, 2033

Mandatory Redemption Date	Principal Amount
September 1, 2032	$ 80,000
September 1, 2033 (Maturity)	$ 85,000

$185,000 Series 2022A Road Term Bond Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2034	$ 90,000
September 1, 2035 (Maturity)	$ 95,000

$205,000 Series 2022A Road Term Bond Maturing on September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 100,000
September 1, 2037 (Maturity)	$ 105,000

$225,000 Series 2022A Road Term Bond Maturing on September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2038	$ 110,000
September 1, 2039 (Maturity)	$ 115,000

$390,000 Series 2022A Road Term Bond Maturing on September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2040	$ 125,000
September 1, 2041	$ 130,000
September 1, 2042 (Maturity)	$ 135,000

$800,000 Series 2022A Road Term Bond Maturing on September 1, 2047

Mandatory Redemption Date	Principal Amount
September 1, 2043	$ 145,000
September 1, 2044	$ 150,000
September 1, 2045	$ 160,000
September 1, 2046	$ 170,000
September 1, 2047 (Maturity)	$ 175,000

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and 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 December 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular series and maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same series and maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. 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.

Method of Payment of Principal and Interest

The Board of Directors of the District has appointed Zions Bancorporation, National Association (Amegy Bank Division), Houston, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Outstanding Bonds

The District has previously issued the following series of bonds for the Utility System: $6,075,000 Unlimited Tax Bonds, Series 2020, and $4,810,000 Unlimited Tax Bonds, Series 2021. As of the Date of Delivery, $10,710,000 principal amount of such previously issued bonds for the Utility System will remain outstanding (the "Outstanding Utility System Bonds"). In addition, the District has previously issued the following series of bonds for the Road System: $4,000,000 Unlimited Tax Road Bonds, Series 2020A, and $4,155,000 Unlimited Tax Road Bonds, Series 2021A. As of the Date of Delivery, $8,040,000 principal amount of such previously issued bonds for the Road System will remain outstanding (the "Outstanding Road System Bonds," and together with the Outstanding Utility System Bonds, the "Outstanding Bonds").

Issuance of Additional Debt

Voters of the District authorized the District's issuance of a total of $132,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System and $42,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System, and could authorize additional amounts. Following issuance of the Bonds, the District will have $109,060,000 of unlimited tax bonds authorized but unissued for the Utility System, and $31,345,000 of unlimited tax bonds authorized but unissued for the Road System.

Voters of the District have also authorized the District's issuance of the following: $56,000,000 principal amount of unlimited tax bonds for constructing or acquiring the Park System; $188,000,000 principal amount of unlimited tax bonds for the refunding of bonds issued by the District for the Utility System or the Park System; and $42,000,000 principal amount of unlimited tax bonds for the refunding of bonds issued by the District for the Road System; and could authorize additional amounts. See "Financing Recreational Facilities" below. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District anticipates submitting a bond application in the fourth quarter of 2022 to the TCEQ in the principal amount of approximately $14,500,000. Such bonds are expected to be issued in the third quarter of 2023. In connection with such bond application, the District anticipates selling a bond anticipation note following the submittal of the bond application.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 of the Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District, and, at an election held within the District on May 6, 2017, voters of the District authorized a total of $42,000,000 principal amount of unlimited tax bonds for financing and constructing the Road System. The Series 2022A Road Bonds represent the District's third issuance of bonds from such voted authorization, and, following issuance of the Series 2022A Road Bonds, $31,345,000 principal amount of unlimited tax bonds for financing and constructing the Road System will remain authorized but unissued.

In addition, voters of the District authorized a total of $42,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. To date, the District has issued no bonds from such voted authorization for refunding bonds issued by the District for the Road System.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds. At an election held within the District on May 6, 2017, voters of the District authorized a total of $56,000,000 in bonds for the purpose of acquiring or constructing the Park System and could authorize additional amounts.

Abolishment

Under Texas law, the District may be abolished and dissolved by the City without the District's consent. If the District is abolished, the City will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to abolishment and dissolution by the City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City to sell bonds of the City in an amount necessary to discharge such obligations. Abolishment of the District by the City is a policymaking matter within the discretion of the Mayor and the City Council of the City, and, therefore, the District makes no representation that abolishment will or will not occur. Moreover, no representation is made concerning the ability of the City to make debt service payments should abolishment occur. See “THE DISTRICT – Utility Agreement Between the District and the City of Conroe” for a discussion of certain limitations on the City’s right to abolish 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 water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order 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. Certain traditional legal remedies also may not be available. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies and Bankruptcy.”

Defeasance

The Bond Order 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) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge 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, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("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 of AA+ from S&P Global Ratings. 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 purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS

Proceeds from the sale of the Series 2022 Bonds will be used to reimburse the Developer (herein defined) for the costs to design and construct water, wastewater and drainage facilities serving certain developed sections within the District. In addition, proceeds from sale of the Series 2022 Bonds will be used to pay costs of issuance of the Series 2022 Bonds.

The construction costs below were compiled by the Engineer (herein defined). Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Series 2022 Bonds and completion of agreed-upon procedures by the District's auditor.

Construction Related Costs	
Developer Contribution Items	$ 9,761,490
District Items	0
Total Construction Related Costs	$ 9,761,490
Less Surplus Funds	(140,000)
Net Construction Costs	$ 9,621,490
Non-Construction Costs	
Bond Discount	$ 361,650
Developer Interest	1,254,596
Total Non-Construction Costs	$ 1,616,246
Issuance Costs and Fees	
Issuance Costs and Professional Fees	$ 599,126
Operating Expenses	120,000
Bond Application Report Costs	68,000
State Regulatory Fees	30,138
Total Issuance Costs and Fees	$ 817,264
Total Bond Issue Requirement	**$12,055,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that proceeds of the sale of the Series 2022 Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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USE AND DISTRIBUTION OF ROAD BOND PROCEEDS

Proceeds from the sale of the Series 2022A Road Bonds will be used to reimburse the Developer for expenditures associated with the following road improvements serving the District: TWH Section 5, 14, and 17. In addition, proceeds from sale of the Series 2022A Road Bonds will be used to pay six (6) months of capitalized interest on the Series 2022A Road Bonds and to pay costs of issuance of the Series 2022A Road Bonds.

The construction costs below were compiled by the Engineer. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Series 2022A Road Bonds and completion of agreed-upon procedures by the District's auditor.

Construction Related Costs	
District Items	$ 2,200,113
Total Construction Related Costs	$ 2,200,113
Non-Construction Costs	
Bond Discount	$ 74,850
Capitalized Interest (6 Months)	64,125
Developer Interest	0
Total Non-Construction Costs	$ 138,975
Issuance Costs and Fees	
Issuance Costs and Professional Fees	$ 156,762
State Regulatory Fees	2,500
Contingency (a)	1,650
Total Issuance Costs and Fees	$ 160,912
Total Bond Issue Requirement	**$ 2,500,000**

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

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required. The Engineer has advised the District that proceeds of the sale of the Series 2022A Road Bonds should be sufficient to pay the costs of the above-described improvements. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property.

2022 Taxable Assessed Valuation	$	263,547,325	(a)
Estimated Valuation as of August 15, 2022	$	365,965,342	(b)
Direct Debt			
The Outstanding Utility System Bonds	$	10,710,000	
The Outstanding Road System Bonds	$	8,040,000	
The Series 2022 Bonds	$	12,055,000	
The Series 2022A Road Bonds	$	2,500,000	
Total	$	33,305,000	
Estimated Overlapping Debt	$	29,122,093	(c)
Total Direct and Estimated Overlapping Debt	$	62,427,093	(c)
Direct Debt Ratio:			
As a Percentage of 2022 Taxable Assessed Valuation		12.64	%
As a Percentage of Estimated Valuation as of August 15, 2022		9.10	%
Direct and Estimated Overlapping Debt Ratio:			
As a Percentage of 2022 Taxable Assessed Valuation		23.69	%
As a Percentage of Estimated Valuation as of August 15, 2022		17.06	%
Debt Service Funds Available for Utility System Bonds (as of September 28, 2022)	$	287,288	(d)
Debt Service Funds Available for Road System Bonds (as of September 28, 2022)	$	261,073	(e)
Operating Fund Balance (as of September 28, 2022)	$	764,680	

(a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2022, as provided by the Montgomery Central Appraisal District. Such value includes $27,522,293 of assessed valuation that remains uncertified and that is subject to protest, review, and downward adjustment prior to certification. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Montgomery Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of August 15, 2022, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022, through August 15, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Although the Outstanding Utility System Bonds and Series 2022 Bonds have been issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Utility System Bonds and Road System Bonds.

(e) In addition to this amount, upon closing and delivery of the Series 2022A Road Bonds, six (6) months of capitalized interest on the Series 2022A Road Bonds will be deposited in the sub-account of the District's Debt Service Fund for payment of debt service on the Series 2022A Road Bonds. Such funds are reserved for payment of debt service on bonds issued by the District for the Road System and are not available for payment of debt service on bonds issued for the Utility System. See "THE BONDS – Funds." Although the Outstanding Road System Bonds and the Series 2022A Road Bonds have been and are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Utility System Bonds and Road System Bonds.

2022 Tax Rate			
Debt Service		$0.90	
Maintenance and Operations		$0.20	
Total		$1.10	
Average Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2023–2047)	$	1,440,740	(a)
Maximum Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2045)	$	1,535,675	(a)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2023–2047) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.58	
Based on Estimated Valuation as of August 15, 2022		$0.42	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2045) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.62	
Based on Estimated Valuation as of August 15, 2022		$0.45	
Average Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2023–2047)	$	613,622	(b)
Maximum Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2045)	$	661,863	(b)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2023–2047) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.25	
Based on Estimated Valuation as of August 15, 2022		$0.18	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2045) at 95% Tax Collections			
Based on 2022 Taxable Assessed Valuation		$0.27	
Based on Estimated Valuation as of August 15, 2022		$0.20	

(a) Requirement of debt service on the Outstanding Utility System Bonds and the Series 2022 Bonds. See “DISTRICT DEBT – Utility Debt Service Requirements.”

(b) Requirement of debt service on the Outstanding Road System Bonds and the Series 2022A Road Bonds. See “DISTRICT DEBT – Road Debt Service Requirements.”

Direct and Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

	Outstanding Debt	Overlapping	
Taxing Jurisdiction	August 31, 2022	Percent	Amount
Montgomery County	$ 464,200,000	0.31%	$ 1,452,003
City of Conroe	431,220,000	2.02	8,724,532
Lonestar College System	641,405,000	0.09	608,496
Willis Independent School District	372,460,000	4.92	18,337,063
Total Estimated Overlapping Debt			$ 29,122,093
The District (a)			$ 33,305,000
Total Direct & Estimated Overlapping Debt			$ 62,427,093

Debt Ratios

Direct Debt Ratio:	
As a Percentage of 2022 Taxable Assessed Valuation	12.64%
As a Percentage of Estimated Valuation as of August 15, 2022	9.10%
Direct and Estimated Overlapping Debt Ratio:	
As a Percentage of 2022 Taxable Assessed Valuation	23.69%
As a Percentage of Estimated Valuation as of August 15, 2022	17.06%

(a) The Outstanding Bonds and the Bonds.

Utility Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Utility Debt Service	Series 2022 Bonds Principal	Series 2022 Bonds Interest	Total Debt Service
2023	$ 616,400	$ –	$ 453,610	$ 1,070,010
2024	613,425	260,000	616,225	1,489,650
2025	615,056	275,000	599,325	1,489,381
2026	611,050	290,000	581,450	1,482,500
2027	603,150	305,000	562,600	1,470,750
2028	603,631	320,000	542,775	1,466,406
2029	603,844	340,000	521,975	1,465,819
2030	608,788	355,000	499,875	1,463,663
2031	608,344	375,000	485,675	1,469,019
2032	607,631	395,000	470,675	1,473,306
2033	616,650	415,000	453,888	1,485,538
2034	615,131	435,000	436,250	1,486,381
2035	619,319	460,000	414,500	1,493,819
2036	618,144	485,000	391,500	1,494,644
2037	621,725	510,000	367,250	1,498,975
2038	629,600	535,000	341,750	1,506,350
2039	626,975	565,000	315,000	1,506,975
2040	629,100	595,000	286,750	1,510,850
2041	635,275	625,000	257,000	1,517,275
2042	635,925	660,000	225,750	1,521,675
2043	635,788	695,000	192,750	1,523,538
2044	640,250	730,000	158,000	1,528,250
2045	644,175	770,000	121,500	1,535,675
2046	282,563	810,000	83,000	1,175,563
2047	–	850,000	42,500	892,500
Total	$14,541,938	$12,055,000	$ 9,421,573	$36,018,510

Average Annual Debt Service Requirement on the Outstanding Utility System Bonds and the Series 2022 Bonds (2023–2047)..$1,440,740

Maximum Annual Debt Service Requirement on the Outstanding Utility System Bonds and the Series 2022 Bonds (2045)..$1,535,675

Road Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Road Debt Service	Series 2022A Road Bonds Principal	Series 2022A Road Bonds Interest	Total Debt Service
2023	$ 466,369	$ –	$ 94,406	$ 560,775
2024	464,969	55,000	128,250	648,219
2025	458,094	60,000	124,675	642,769
2026	450,994	60,000	120,775	631,769
2027	449,294	65,000	116,875	631,169
2028	453,219	65,000	112,650	630,869
2029	456,919	70,000	108,425	635,344
2030	460,394	75,000	103,875	639,269
2031	457,144	80,000	100,875	638,019
2032	458,744	80,000	97,675	636,419
2033	455,069	85,000	94,075	634,144
2034	457,269	90,000	90,250	637,519
2035	459,225	95,000	85,750	639,975
2036	460,725	100,000	81,000	641,725
2037	461,975	105,000	76,000	642,975
2038	467,075	110,000	70,750	647,825
2039	466,750	115,000	65,250	647,000
2040	471,150	125,000	59,500	655,650
2041	470,150	130,000	53,250	653,400
2042	468,875	135,000	46,750	650,625
2043	472,063	145,000	40,000	657,063
2044	477,019	150,000	32,750	659,769
2045	476,613	160,000	25,250	661,863
2046	245,400	170,000	17,250	432,650
2047	–	175,000	8,750	183,750
Total	$10,885,494	$ 2,500,000	$ 1,955,056	$15,340,550

Average Annual Debt Service Requirement on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2023–2047) $613,622

Maximum Annual Debt Service Requirement on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2045) $661,863

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2022 tax year, the District has not granted any such exemptions.

The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder as defined under Texas law, 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 of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft, and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

General Residential Homestead Exemption

Texas law 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, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2022 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 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% 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. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of Operation and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture 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. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2022, approximately 462.696 acres within the District was designated for agricultural use, open space, timberland, or inventory deferment.

Tax Abatement

The City or Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (30) days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the twenty-first (21^{st}) day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty, and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances.

The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2022 tax year, the Board of Directors determined that the District's status is that of a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "TAX DATA – Estimated 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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. 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations."

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds that may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from ad valorem taxes. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and its available funds. The District also has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed $1.50 per $100 of assessed valuation, for operation and maintenance purposes. In 2022, the Board levied a total tax rate of $1.10 per $100 of assessed valuation composed a tax for operation and maintenance purposes in the amount of $0.20 per $100 of assessed valuation and a debt service tax of $0.90 per $100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance and Operations:	$1.50 per $100 of Assessed Valuation.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has not granted a general homestead exemption or a residential homestead exemption to persons 65 years of age or older or certain other disabled persons for tax year 2022. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property Tax Code (hereinafter defined).

Historical Tax Collections

The following table illustrates the collection history of the District for tax years 2017–2021:

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 08/31/22
2017	$ 59,610	$ 1.10	$ 656	100.00 %	2018	100.00
2018	5,289,312	1.10	58,182	100.00	2019	100.00
2019	30,088,393	1.10	330,972	99.75	2020	100.00
2020	62,351,418	1.10	685,797	99.96	2021	99.99
2021	119,649,190	1.10	1,316,141	99.70	2022	99.70 (a)

(a) Collections as of August 31, 2022.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Debt Service	$0.900	$0.720	$0.210	$0.000	$0.000
Maintenance & Operation	$0.200	$0.380	$0.890	$1.100	$1.100
Total	$1.100	$1.100	$1.100	$1.100	$1.100

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2018–2022 tax years by type of property.

Type of Property	2022 Assessed Taxable Valuation (a)	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation
Land	$ 52,421,948	$ 39,246,069	$ 24,538,650	$ 15,871,760	$ 5,291,700
Improvements	199,573,580	88,318,380	39,960,070	14,710,100	0
Personal Property	432,301	433,411	236,366	123,634	0
Exemptions	(16,402,797)	(8,348,670)	(2,389,937)	(617,101)	(2,388)
Total	$ 236,025,032	$119,649,190	$ 62,351,418	$ 30,088,393	$ 5,289,312

(a) Does not include $27,522,293 of assessed valuation that remains uncertified as of original certification of the appraisal roll for the 2022 tax year.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District occurs beyond the District's taxable assessed valuation as of January 1, 2022 ($263,547,325) and the District's estimated valuation as of August 15, 2022 ($365,965,342). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2023–2047).......$ 1,440,740
Debt Service Tax Rate of $0.58 on the 2022 Taxable Assessed Valuation produces.......$ 1,452,146
Debt Service Tax Rate of $0.42 on the Estimate of Value as of August 15, 2022, produces.......$ 1,460,202

Maximum Annual Debt Service Requirements on the Outstanding Utility System Bonds and the Series 2022 Bonds (2045).......$ 1,535,675
Debt Service Tax Rate of $0.62 on the 2022 Taxable Assessed Valuation produces.......$ 1,552,294
Debt Service Tax Rate of $0.45 on the Estimate of Value as of August 15, 2022, produces.......$ 1,564,502

Average Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2023–2047).......$ 613,622
Debt Service Tax Rate of $0.25 on the 2022 Taxable Assessed Valuation produces.......$ 625,925
Debt Service Tax Rate of $0.18 on the Estimate of Value as of August 15, 2022, produces.......$ 625,801

Maximum Annual Debt Service Requirements on the Outstanding Road System Bonds and the Series 2022A Road Bonds (2045).......$ 661,863
Debt Service Tax Rate of $0.27 on the 2022 Taxable Assessed Valuation produces.......$ 675,999
Debt Service Tax Rate of $0.20 on the Estimate of Value as of August 15, 2022, produces.......$ 695,334

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their taxable assessed values as of the Appraisal District's original certification of the 2022 appraisal roll:

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	Percent of 2022 Roll
Westin Homes and Properties LP (a)	Land & Improvements	$ 6,146,870	2.33%
Highland Homes Houston LLC (a)	Land & Improvements	3,857,890	1.46%
Ravenna Homes LLC (a)	Land & Improvements	3,204,070	1.22%
Perry Homes LLC (a)	Land & Improvements	2,688,190	1.02%
Gehan Homes LTD (a)	Land & Improvements	2,379,380	0.90%
HF Holding Company LLC (b)	Land & Improvements	2,322,520	0.88%
Chesmar Homes LLC (a)	Land & Improvements	2,176,160	0.83%
Weekley Homes LLC (a)	Land & Improvements	1,380,700	0.52%
Homeowner	Land & Improvements	744,870	0.28%
Homeowner	Land & Improvements	702,870	0.27%
Total		$ 25,603,520	9.71%

(a) See "STATUS OF DEVELOPMENT – Homebuilders Active within the District."
(b) See "THE DEVELOPER."

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	**2022 Tax Rate**
Montgomery County	$ 0.374200
Montgomery County Hospital District	0.050200
City of Conroe	0.427200
Lone Star College System	0.107800
Willis Independent School District	1.154600
The District	1.100000
Estimated Total Tax Rate	$ 3.214000

THE DISTRICT

General

Montgomery County Municipal Utility District No. 128 ("MUD 128") was created by Chapter 867 (Senate Bill 2504), Acts of the 81st Legislature, Regular Session, 2009, codified at Chapter 8355 of the Texas Special District Local Laws Code (the "Code"), in accordance with Article XVI, Section 59 of the Texas Constitution. Pursuant to Section 8355.105 of the Code, on February 15, 2017, the Board of Directors of MUD 128 adopted an order dividing MUD 128 into two distinct districts, the District and Montgomery County Municipal Utility District No. 128B, and thereby created the District. The creation of the District was confirmed at an election held within the District on May 6, 2017.

The District operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the corporate limits of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, 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; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also develop and finance roads. See "THE BONDS – Issuance of Additional Debt," "– Financing Recreational Facilities," and "– Financing Road Facilities."

Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE UTILITY SYSTEM."

Description

Upon creation of the District pursuant to the order dividing the lands of MUD 128 into two distinct districts, as referenced above, the District encompassed an area of approximately 526.16 acres. Following one subsequent annexation and exclusion in October of 2020, the District currently encompasses approximately 853.128 acres.

The District is situated entirely within Montgomery County, Texas, entirely within the corporate limits of the City, and entirely within Willis Independent School District. The District is located approximately 45 miles north of the City of Houston, Texas, approximately 8 miles north of the central portion of the City, and approximately 1 mile west of the intersection of Interstate Highway 45 and Farm to Market Road 830.

Utility Agreement Between the District and the City of Conroe

The District operates pursuant to that First Amended and Restated Utility Functions and Services Allocation Agreement entered into by the City and MUD 128 dated June 14, 2016 (the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of MUD 128 within the city limits of the City and to the division of MUD 128 into two or more new districts in accordance with Section 8355.105 of the Code. The Utility Agreement provides that each such newly formed district resulting from the division of MUD 128 will automatically become party to the Utility Agreement.

In the Utility Agreement, the City agreed to extend water distribution and wastewater collection lines to locations mutually agreed upon by the City and the District as well as to provide sufficient water supply and wastewater treatment plant capacity to serve the District at full development. The City agrees to provide the District with its ultimate requirements for water supply capacity as needed and when required by the District without capital charges of any kind. The City represents that it has sufficient capacity in the City's wastewater treatment plant to serve the development of the District as needed and when required by the District and that it shall provide these services to the District when needed. The City agrees to make any necessary improvements to its wastewater treatment plant, at no cost to the District, if at any time it does not have sufficient capacity to serve the development in the District.

Pursuant to the Utility Agreement, the District assumed responsibility for acquiring and constructing the water distribution, sanitary sewer collection, and drainage facilities, as well as roads and improvements in aid thereof, to serve development occurring within the boundaries of the District (the "Facilities"). The District further assumed the responsibility for acquiring and constructing detention and recreational improvements to serve development within its boundaries. The Utility Agreement provides that the Facilities and all detention facilities and recreational improvements shall be designed and constructed in accordance with the requirements and criteria of the City and all applicable regulatory authorities.

As the Facilities are constructed and acquired, the District shall convey the same to the City. Upon conveyance of the Facilities to the City, the Facilities shall be operated, maintained and managed by the City at its sole cost and expense. The Utility Agreement provides that the City shall be the retail provider of water and sewer services to the District and that the City shall charge users rates for such water and sewer service as determined by the City, provided that such rates be equal and uniform to those charged to other similar classifications of users in non-municipal utility district areas of the City. The City may also charge a connection fee at a rate to be determined by the City, provided that such fee is uniformly charged to other customers in the City's corporate limits in the same customer class.

The Utility Agreement provides that the District shall retain title to, and shall be responsible for, the operations and maintenance of recreational and detention facilities constructed by or on behalf of the District, including any amenity aspects of a detention facility that do not relate to such a facility's hydraulic functions.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities, parks and recreational facilities, and eligible road facilities and related appurtenances. Before the District is authorized to issue bonds, the District must provide the City with a copy of a TCEQ order authorizing issuance of such bonds, if applicable, 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 $1.50 per $100 of taxable assessed valuation. The Utility 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. Both the City and the District levy taxes on property within the District. The District must also provide the City with a copy of the applicable preliminary official statement and draft bond order before issuing bonds.

Bonds issued by the District must provide that the District reserves the right to redeem the bonds on any interest payment date subsequent to the tenth anniversary of the date of issuance. Such bonds, other than refunding bonds, may not be sold for less than 95% of par; provided, however, that the net effective interest rate on such bonds, taking into account any discount or premium as well as the interest rate borne by such bonds, will not exceed 2% above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of such bonds is given, and that bids for the Bonds will be received, if and as required, in accordance with Section 49.183 of the Texas Water Code, as amended. Bonds issued by the District may not have a maturity of more than 30 years and may not provide for more than 24 months of capitalized interest.

The Utility 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 storm 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 storm drainage facilities, which it may increase or decrease over time. The District received their first annual rebate payment on February 1, 2021. Such annual rebate payments shall be payable each February 1 thereafter, with each such annual payment being applicable to the calendar year preceding the calendar year of each such February 1.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until ninety-five 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. The Utility Agreement shall remain in effect until the earlier of the dissolution of the District by the City or the expiration of 40 years from December 14, 2012, the effective date of the Utility Agreement.

Management of the District

The District is governed by the Board of Directors, which consists of five directors and has control and management supervision over all affairs of the District. All of the directors currently own property in the District. Directors are elected in May of even-numbered years for four-year staggered terms. The present members and officers of the Board and their positions are listed below:

Name	Position	Term Expires
Bradley R. Rich	President	May 2024
Vacancy	Vice President	May 2024
Steven Gallia	Secretary	May 2024
Ed Jones	Assistant Secretary	May 2026
Skip Downham	Assistant Secretary	May 2026

The District has contracted with the following companies to operate its facilities and perform certain other services:

Tax Assessor/Collector: The District's tax assessor/collector is B&A Municipal Tax Services, L.P. (the "Tax Assessor/Collector"). Such firm serves more than 100 utility districts. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

Bookkeeper: The District's bookkeeper is Municipal Accounts & Consulting, L.P.

Operator: The City serves as operator of the Utility System pursuant to the Utility Agreement.

Auditor: The District engaged Knox Cox & Co., L.L.P., Certified Public Accountants, to perform an audit of its financial statements for the fiscal year ended June 30, 2021. Such financial statements are attached as "APPENDIX A" to this Official Statement. The District has also engaged Knox Cox & Co., L.L.P., Certified Public Accountants, to perform an audit of its financial statements for the fiscal year ended June 30, 2022.

Engineer: The District has engaged LJA Engineering, Inc. (the "Engineer") to perform engineering services for the design and construction of the Utility System, Road System, and other District facilities.

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District for issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

General Fund Operating Statement

The following sets forth in condensed form the results of the District's general operating fund for the previous three fiscal years. For the fiscal years ended June 30, 2018, through June 30, 2021, such summary has been prepared by the Financial Advisor for inclusion herein based on information obtained from the District's most recent audited financial statements, reference to which is made for further and more complete information. See "APPENDIX A." The figures for the period ending June 30, 2022, were obtained from the District's bookkeeper.

The District is provided water and sewer services by the City, as described herein under "THE UTILITY SYSTEM," and does not receive any revenue from customers for water and sewer service. Consequently, the District's primary source of revenue is provided by a maintenance and operations tax levy, and its general fund is used primarily for administrative expenses of the District.

		Fiscal Year Ended June 30			
	2022 (a)	2021	2020	2019	2018
Revenues					
Property Taxes	$ 449,803	$ 568,644	$ 342,457	$ 18,249	$ 40,589
Penalties and Interest	–	–	919	–	–
Interest and Other	28,264	5,156	2,780	766	50
Total Revenues	$ 478,067	$ 573,800	$ 346,156	$ 19,015	$ 40,639
Expenditures					
Professional Fees	$ 103,980	$ 132,806	$ 91,998	$ 77,291	$ 74,988
Contracted Services	27,261	17,002	21,997	17,063	10,511
Administration and Other	41,990	31,882	36,883	23,795	16,191
Capital Outlay	–	243,477	–	–	117,611
Total Expenditures	$ 173,321	$ 425,163	$ 150,878	$ 118,149	$ 219,301
Excess Revenues (Expenditures)	$ 304,836	$ 148,637	$ 195,278	$ (99,134)	$ (178,662)
Developer Advances	$ –	$ 243,477	$ 30,000	$ 30,000	$ 227,611
Net Change in Fund Balance	$ 304,836	$ 392,114	$ 225,278	$ (69,134)	$ 48,949

(a) Unaudited as of June 30, 2022.

STATUS OF DEVELOPMENT

Status of Development

The District is being developed as the master-planned residential community known as The Woodlands Hills. To date, approximately 1,388 single-family lots have been developed within the following single-family residential subdivisions: TWDC-HHC, Sections 1, 2, 3, 4, and 5 and The Woodlands Hills, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 12A, 13, 14, 15, 16, 17, 18, 19, 21, and 22. As of October 1, 2022, development within the District consisted of approximately 821 completed homes (approximately 781 occupied, 40 unoccupied (including 17 model homes)), approximately 90 homes under construction, and approximately 477 vacant, developed lots. In addition, the residential subdivisions of The Woodlands Hills, Sections 20, 23, and 25 are currently under construction, and, upon completion, such sections will include a total of approximately 102 single-family lots available for additional home construction.

The subdivisions referenced above encompass a total of approximately 492.16 acres, inclusive of lands for parks, open spaces, reserves, and road rights-of-way. The remainder of the land within the District consists of approximately 17.55 acres for Village Park, a recreation center in the District, approximately 16.17 acres for roadways, approximately 114.51 undevelopable acres, and approximately 212.74 acres that are available for additional development.

The table below summarizes the development within the District as of October 1, 2022.

Subdivision	Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
TWDC-HHC Section 1	12.00	43	43	0	0
TWDC-HHC Section 2	18.81	47	47	0	0
TWDC-HHC Section 3	21.34	73	72	0	1
TWDC-HHC Section 4	5.04	11	9	0	2
TWDC-HHC Section 5	9.33	18	18	0	0
The Woodlands Hills Section 1	36.13	51	44	7	0
The Woodlands Hills Section 2	17.18	48	33	4	11
The Woodlands Hills Section 3	17.60	70	70	0	0
The Woodlands Hills Section 4	13.97	48	47	1	0
The Woodlands Hills Section 5	11.95	26	26	0	0
The Woodlands Hills Section 6	13.63	28	14	3	11
The Woodlands Hills Section 7	11.39	44	44	0	0
The Woodlands Hills Section 8	26.09	79	70	2	7
The Woodlands Hills Section 9	14.39	65	65	0	0
The Woodlands Hills Section 10	22.90	42	3	12	27
The Woodlands Hills Section 11	21.55	72	58	8	6
The Woodlands Hills Section 12	3.64	9	6	0	3
The Woodlands Hills Section 12A	1.79	5	2	0	3
The Woodlands Hills Section 13	15.55	57	31	0	26
The Woodlands Hills Section 14	32.11	120	104	6	10
The Woodlands Hills Section 15	17.27	88	15	12	61
The Woodlands Hills Section 16	10.21	39	0	0	39
The Woodlands Hills Section 17	15.80	82	0	4	78
The Woodlands Hills Section 18	43.12	108	0	11	97
The Woodlands Hills Section 19	12.53	42	0	0	42
The Woodlands Hills Section 21	17.98	45	0	1	44
The Woodlands Hills Section 22	9.01	28	0	19	9
Total Residential Developed	452.31	1,388	821	90	477
Residential Under Construction	39.85				
Recreation Center	17.55				
Roadways	16.17				
Undevelopable	114.51				
Remaining Developable	212.74				
District Total	853.13				

Homebuilders Active within the District

Homebuilders active within the District include Century Communities, Chesmar Homes, David Weekley Homes, Gehan Homes, K. Hovnanian Homes, Highland Homes, Perry Homes, Ravenna Homes, and Westin Homes. New homes being constructed in the District range in price from approximately $394,000 to approximately $761,000 and in size from approximately 2,150 to 3,583 square feet.

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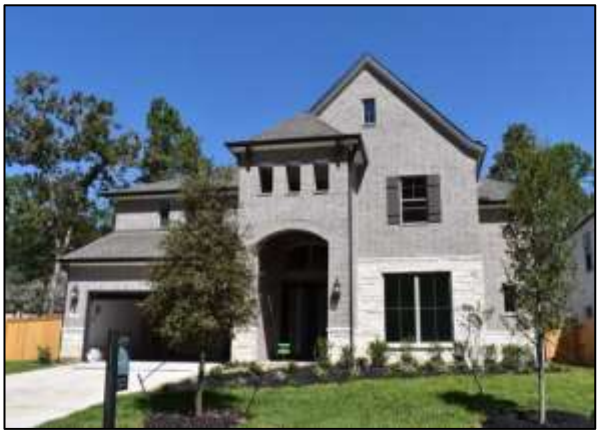
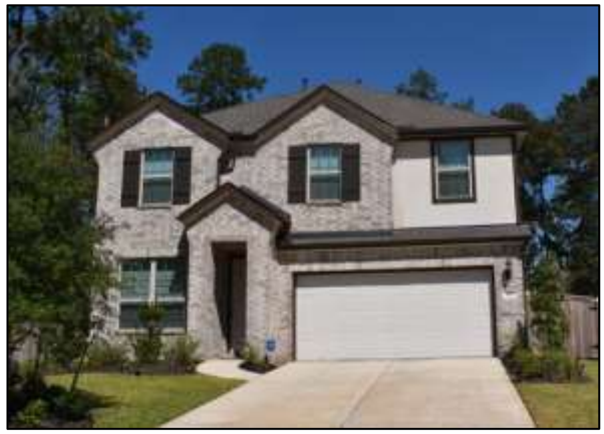
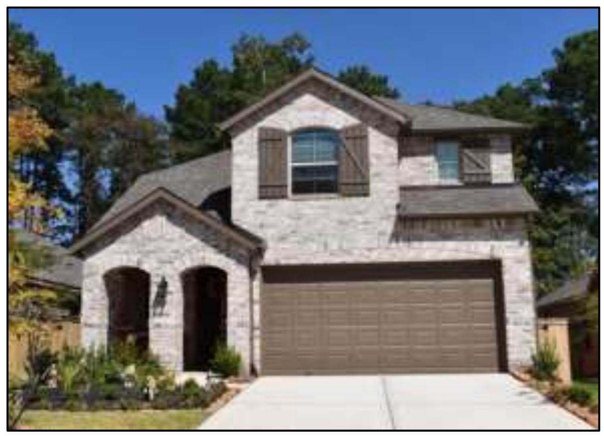
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(October 2022)

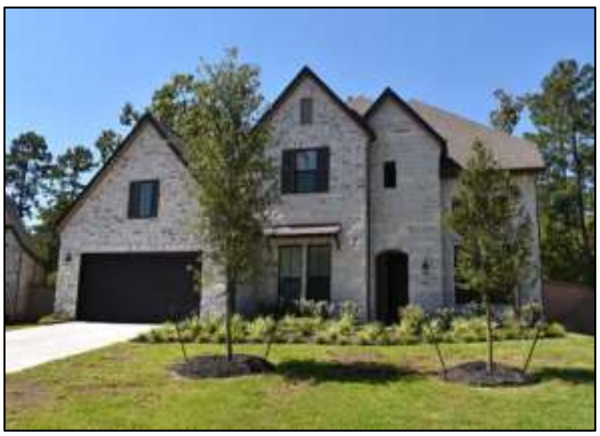






PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(October 2022)



THE DEVELOPER

The Role of a Developer

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

Description

HF Holding Company, LLC, a Delaware limited liability company (the "Developer"), is the developer of land in the District and was formed for the sole purpose of carrying out land development activities in the District. The Developer is a subsidiary of The Howard Hughes Corporation, a Delaware corporation. The Howard Hughes Corporation is a public company whose stock is traded on the New York Stock Exchange under the symbol HHC. All funds required for development activities are provided by the Developer, The Howard Hughes Corporation, or from lot sales.

In the Houston, Texas area, in addition to The Woodlands Hills, entities related to The Howard Hughes Corporation are responsible for the development of master-planned communities including The Woodlands and Bridgeland.

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Lot-Sales Contracts

The Developer has entered into lot-sales contracts with each Century Communities, Chesmar Homes, David Weekley Homes, Gehan Homes, K. Hovnanian Homes, Highland Homes, Perry Homes, Ravenna Homes, and Westin Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, currently, approximately $595,390. According to the Developer, each of the builders is in compliance with their respective lot-sales contract. As of October 1, 2022, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
Century Communities	146	134
Chesmar Homes	308	259
David Weekley Homes	141	141
Gehan Homes	259	248
K. Hovnanian Homes	16	16
Highland Homes	169	160
Perry Homes	61	61
Ravenna Homes	85	85
Westin Homes	181	181
Totals	1,366	1,285

THE UTILITY SYSTEM

Regulation

Construction and operation of the District's water, sanitary sewer and storm drainage 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 and the City. The TCEQ also exercises regulatory jurisdiction over portions of such facilities.

Water Supply and Wastewater Treatment

The City provides utility services to the District in accordance with the terms of the Utility Agreement. See "THE DISTRICT – Utility Agreement Between the District and the City of Conroe." Under the Utility Agreement, the City agrees to provide sufficient water supply and wastewater treatment to serve full development within the District and to own and maintain all public infrastructure necessary to provide such water supply and wastewater treatment. The District is required to construct necessary facilities within its boundaries, and once constructed and accepted by the City, such facilities are conveyed to the City. The City charges users in the District for such services at rates as determined necessary by the City. The City may also charge a connection fee provided such fee is equal to sums charged to other customers for comparable connections.

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 Groundwater Reduction Plan of the San Jacinto River Authority ("SJRA"). The SJRA is constructing a surface water treatment facility and transmission system to provide treated surface water to the City. The transmission system is interconnected to the City's water system.

Drainage

The master drainage plan for the District is to rely on the existing Stewarts Creek as the outfall for the first phase of the development (north of FM 830 and east of Old Montgomery Road). To offset the impacts of development, collector roads that cross Stewarts Creek or its tributaries will use road crossing culverts that restrict conveyance. Additionally, sheet piling across Stewarts Creek will be used to hold back flows so that overall discharge to Stewarts Creek will not exceed existing conditions in the 100-year storm event.

The second phase of development (north of FM 830 and west of Old Montgomery Road) drains into the Live Branch watershed. To offset the impacts of development, multiple detention ponds along its tributaries will be used to restrict conveyance. Additionally, sheet piling upstream of the District's boundary will be used to hold back flows so that the overall discharge to Live Branch will not exceed existing conditions in the 100-year storm event.

100 Year Flood Plain

According to the Federal Emergency Management Agency Flood Insurance Rate Map No. 48339C0240G, approximately 30.49 acres within the District are located in the 100-year flood plain. None of such acreage will be used for development.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties 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.

THE ROAD SYSTEM

The residential sections that have been developed in the District to date are served by certain segments of North Teralyn Hills Drive, Teralyn Woods Parkway, East Teralyn Way, West Teralyn Way, and Teralyn Forest Drive that are designated as collector roadway on the thoroughfare plan of the City. The internal subdivision streets of the developed sections in the District direct residents to North Teralyn Hills Drive and Teralyn Woods Parkway, which both connect to Farm to Market Road 830, and also to East Teralyn Way, West Teralyn Way, and Teralyn Forest Drive, which connect to Old Montgomery Road. The design and construction of all roadways and associated improvements within the District is subject to the terms of the Utility Agreement. Following the District's construction and acquisition of roads, final inspection by the City, and expiration of a one-year warranty period, the District conveys road improvements to the City to be operated, maintained and managed by the City at its sole cost and expense.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City; or any political subdivision or entity other than the District. The Bonds are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District on all taxable property located within the District. See "THE BONDS – Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing and commercial retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Construction of Improvements: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston, Texas metropolitan area. Construction of new single-family homes can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. Although, as of October 1, 2022, the District included approximately 821 completed single-family homes and approximately 90 additional homes under construction, the District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT." Unless the District's tax base grows as a result of construction of additional housing and other taxable improvements, the District may be required to levy taxes at a substantially higher rate than customarily levied by other similar utility districts. An increase in the tax rate of the District to a higher level may have an adverse impact on future development in the District and on the District's ability to collect such tax. See "TAX DATA – Tax Rate Calculations."

Undeveloped Acreage and Vacant Lots: There are approximately 212.74 developable acres that have not been provided with water distribution, wastewater collection, and storm drainage facilities and 477 developed lots that remain vacant as of October 1, 2022. The District makes no representation as to when or if the undeveloped land will be developed or if construction of homes on vacant lots will occur. See "STATUS OF DEVELOPMENT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas, that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Location and Access: The District is located approximately 45 miles north of the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "STATUS OF DEVELOPMENT."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer, or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT" and "THE DEVELOPER."

Dependence on 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. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2022, the District's ten principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 9.71% of the District's total taxable assessed valuation. The Developer, owned approximately 0.88% of the District's total taxable assessed value as of January 1, 2022. In the event that the Developer, any other principal taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "TAXING PROCEDURES – Levy and Collection of Taxes" and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners in the District to pay their taxes. The taxable assessed valuation of the District as of January 1, 2022, is $263,547,325 and the estimate of value as of August 15, 2022, is $365,965,342. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Utility System Bonds and the Series 2022 Bonds will be $1,535,675 (2045), and the average annual debt service requirement of the Outstanding Utility System Bonds and the Series 2022 Bonds will be $1,440,740 (2023–2047). Based on the District's taxable assessed valuation as of January 1, 2022, and no use of funds on hand, a tax rate of $0.62 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of $0.58 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Based on the District's estimate of value as of August 15, 2022, and no use of funds on hand, a tax rate of $0.45 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of $0.42 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DISTRICT DEBT – Utility Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

The maximum annual debt service requirement of the Outstanding Road System Bonds and the Series 2022A Road Bonds will be $661,863 (2045), and the average annual debt service requirement of the Outstanding Road System Bonds and the Series 2022A Road Bonds will be $613,622 (2023–2047). Based on the District's taxable assessed valuation as of January 1, 2022, and no use of funds on hand, a tax rate of $0.27 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of $0.25 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Based on the District's estimate of value as of August 15, 2022, and no use of funds on hand, a tax rate of $0.20 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of $0.18 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DISTRICT DEBT – Road Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

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 because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas 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 the executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible 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.

Hurricane Harvey and Potential Impact of Natural Disasters

The Texas Gulf Coast area, including Montgomery County, Texas, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. At such time, no homes had been constructed in the District. According to the Engineer, the water, sewer, and drainage system serving the District did not sustain any material damage as a result of Hurricane Harvey.

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

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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. Because the City of Conroe provides retail water and wastewater service to the District, certain of the regulations may not apply to the District. See "THE DISTRICT – Utility Agreement Between the District and the City of Conroe." Each of these regulations 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the

United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 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; (k) waste treatment systems; and (l) all other waters or features not included in the definition of "waters of the United States." 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 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 ongoing rulemaking activity, as well as existing and possible future litigation, 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 could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 state and 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 proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a 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 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 (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds ("Registered Owners") have the right to seek 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 Order. Except for mandamus, the Bond Order 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 Order 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9 of the Federal Bankruptcy Code, 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 the 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 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.

The District may not be placed into bankruptcy involuntarily.

Future Debt

At an election held within the District on May 6, 2017, voters of the District authorized the District's issuance of the following: a total of $132,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System; a total of $56,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Park System; a total of $188,000,000 principal amount of unlimited tax bonds for the purpose of refunding of bonds issued by the District for the Utility System or the Park System; a total of $42,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; and a total of $42,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Series 2022 Bonds represent the third series of bonds to be issued by the District for the purpose of constructing or acquiring the Utility System, and the Series 2022A Road Bonds represent the third series of bonds issued by the District for the purpose of constructing or acquiring the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $109,060,000 for the Utility System; $56,000,000 for the Park System; $188,000,000 for the refunding of bonds issued for the Utility System or the Park System; $31,345,000 for the Road System; and $42,000,000 for the refunding of bonds issued by the District for the Road System.

All of the remaining bonds described above, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. In the Bond Orders, the District reserves the right to issue the remaining authorized but unissued bonds and such additional bonds as may hereafter be approved by the voters of the District.

The District's issuance of the remaining unlimited tax bonds for the Utility System and for the Park System shall be subject to approval by the TCEQ. The District's issuance of the Series 2022A Road Bonds and any other bonds issued for the purpose of constructing or acquiring the Road System is not subject to approval of the TCEQ however.

According to the Developer, following the issuance of the Bonds, the District will owe the Developer approximately $14,508,945 for its expenditures to construct the Utility System, approximately $9,118,584 for expenditures to construct the Park System, and approximately $4,055,773 for expenditures to construct the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

The District anticipates submitting a bond application in the fourth quarter of 2022 to the TCEQ in the principal amount of approximately $14,500,000. Such bonds are expected to be issued in the third quarter of 2023. In connection with such bond application, the District anticipates selling a bond anticipation note following the submittal of the bond application.

Marketability of the Bonds

The District has no understanding with the initial purchaser of the Series 2022 Bonds or the initial purchaser of the Series 2022A Road Bonds (together the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS – Tax Exemption."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS," "MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS," and "MUNICIPAL BOND RATINGS."

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE – SERIES 2022 BONDS" and "MUNICIPAL BOND INSURANCE – SERIES 2022A ROAD BONDS" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" herein. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal of and interest on, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold, and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT – General," "– Management of the District – Bond Counsel and General Counsel," "– Utility Agreement Between the District and the City of Conroe," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). 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.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Not Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has **not** designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount Bonds and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public 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 in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, 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. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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, 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 ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the Date of Delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and Registered 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") through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided with respect to the District is found under the headings "DISTRICT DEBT (excluding "– Direct and Estimated Overlapping Debt Statement" and "– Debt Ratios")," "TAX DATA (excluding "– Estimated Overlapping Taxes")," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2022.

Any information 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 fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available. The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax- exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or the Developers, but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of such Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. 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 continuing disclosure undertaking made in accordance with the SEC Rule 15c2-12.

GENERAL CONSIDERATIONS

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the fiscal year ended June 30, 2021, were audited by Knox Cox & Co., L.L.P., Certified Public Accountants, and have been included herein as "APPENDIX A." Knox Cox & Co., L.L.P. has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the SEC), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification as to Official Statement

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

Concluding Statement

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 128A as of the date shown on the first page hereof.

/s/ Bradley R. Rich
President, Board of Directors
Montgomery County Municipal Utility District No. 128A

ATTEST:

/s/ Steven Gallia
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 128A

APPENDIX A

Financial Statements of the District

Montgomery County
Municipal Utility District No. 128A

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2021

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C O N T E N T S

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KC Knox Cox & Company, L.L.P.

Certified Public Accountants
8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Montgomery County Municipal Utility District No. 128A
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 128A (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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. 128A as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 26, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Kemp Cox & Co. LLP

Sugar Land, Texas
October 18, 2021

Management's Discussion and Analysis

As management of Montgomery County Municipal Utility District No. 128A (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by $7,691,545 (deficit net position).
- As of June 30, 2021, the District's governmental funds reported an ending fund balance of $1,427,281.
- The District's cash and investments balance at June 30, 2021 was $1,387,468, representing an increase of $1,135,996 from June 30, 2020.
- The District had revenues of $707,867 and a change in net position of ($7,691,545) for the year ended June 30, 2021.
- At the end of the fiscal year, unassigned and uncommitted fund balance for the General Fund was $480,191 or 113% percent of total General Fund expenditures.
- The District had $662,938 of outstanding long-term debt related to developer advances and $10,075,00 related to bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Project Fund).

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and g*overnmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 28 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget. Required supplementary information can be found on page 30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by $7,691,545 as of June 30, 2021, resulting in a deficit net position.

The District had a deficit net investment in capital assets of $8,642,955 as of June 30, 2021 primarily because that District incurs debt to finance the acquisition and construction of water distribution, sanitary sewer collection, and drainage facilities, as well as roads and improvements and then conveys completed assets to the City of Conroe pursuant to the District's Utility Agreement with the City of Conroe.

Additionally, a portion of the District's net position represents net position unrestricted and available for future operations.

SUMMARY OF STATEMENT OF NET POSITION

	Governmental Activities	
	2021	**2020**
Current and other assets	$ 1,492,473	$ 203,391
Capital assets, net	1,416,318	114,671
Total Assets	2,908,791	318,062
Long-term liabilities	10,442,741	419,461
Other liabilities	157,595	11,490
Total Liabilities	10,600,336	430,951
Net Position:		
Net investment in capital assets	(8,642,955)	(304,790)
Restricted for debt service	366,214	
Unrestricted	585,196	191,901
Total Net Position	$ (7,691,545)	$ (112,889)

Net position of the District, all of which relate to governmental activities, decreased by $7,578,656. Key elements of the decrease are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2021	**2020**
Revenues		
Property taxes, penalties and interest	$ 702,068	$ 344,210
Investment income and other	5,799	2,780
Total Revenues	707,867	346,990
Expenses		
Professional fees and contracted services	166,830	113,995
Administration and other	40,645	36,883
Conveyance of assets	6,720,875	
Developer interest	564,090	
Interest and fiscal charges on long-term debt	178,844	
Debt issuance costs	589,431	
Depreciation	25,808	2,940
Total Expenses	8,286,523	153,818
Change in Net Position	(7,578,656)	193,172
Net position, beginning	(112,889)	(306,061)
Net Position, Ending	$ (7,691,545)	$ (112,889)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of June 30, 2021, the District's governmental funds, which consist of a general fund, debt service fund and capital projects funds, reported an ending fund balance of $1,427,281, which is an increase of $1,236,214 from last year's total of $191,067. The increase relates primarily to an increase in property tax revenue and other financing sources. As a measure of the general fund's liquidity, it may be useful to compare unassigned and uncommitted fund balance to total fund expenditures. Unassigned fund balance represents 113% of total General Fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of June 30, 2021 amounts to $1,416,318 (net of accumulated depreciation).

	Governmental Activities 2021	Governmental Activities 2020
Capital assets not being depreciated:		
Land and easements	$ 539,881	$
	539,881	
Capital assets being depreciated:		
Recreational facilities	905,185	117,611
	905,185	117,611
Less: accumulated depreciation	(28,748)	(2,940)
	876,437	114,671
Total Capital Assets, Net	$ 1,416,318	$ 114,671

The District conveyed assets totaling $6,720,875 to the City of Conroe pursuant the District's Utility Agreement during the fiscal year ending June 30, 2021.

Additional information on the District's capital assets can be found in Note 5 in the notes to financial statements.

LONG-TERM DEBT

As of June 30, 2021, the District has total debt outstanding of $10,442,741. Interest expense and fiscal charges totaled $178,844. The outstanding debt consists of developer advances, bonds and unamortized bond discount. The outstanding bonds have maturities ranging from 2023 to 2046.

Additional information on the District's long-term debt can be found in Note 6 in the notes to the financial statements.

BUDGETARY HIGHLIGHTS

- Unassigned and uncommitted fund balance in the General Fund increased to $480,191, from $139,982. The District anticipated an increase of $538,861 for the current year.

ECONOMIC FACTORS

In March 2020, the Governor of the State of Texas declared a State of Disaster in Texas due to the outbreak of a novel coronavirus (COVID-19). The District is continuing to provide services to customers and residents of the District while addressing the impact of the outbreak. The District is continuously evaluating their budget and operations.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Montgomery County Municipal Utility District No. 128A's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery County Municipal Utility District No. 128A: Schwartz, Page & Harding, LLP; 1300 Post Oak Boulevard, Suite 1400; Houston, Texas 77056.

FINANCIAL STATEMENTS

Montgomery County Municipal Utility District No. 128A

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2021

	General	Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	$ 93,954	$ 20,406	$ 594	$ 114,954
Investments	440,091	449,549	382,874	1,272,514
Receivables:				
Property taxes	1,630	385		2,015
Internal receivables	9,323			9,323
Other				
Prepaid items	102,990			102,990
Capital assets, net of accumulated depreciation:				
Land				
Recreational facilities				
Total Assets	$ 647,988	$ 470,340	$ 383,468	$ 1,501,796
Liabilities and Fund Balances/Net Position				
Liabilities				
Accounts payable and accrued liabilities	$ 63,177	$	$	$ 63,177
Due to taxpayer				
Internal payables		9,323		9,323
Accrued interest payable				
Long-term liabilities:				
Due to developer				
Unamortized bond premium (discount)				
Due within one year				
Due after one year				
Total Liabilities	63,177	9,323		72,500
Deferred Inflows of Resources				
Unavailable revenue - property taxes	1,630	385		2,015
Fund Balances/Net Position				
Fund Balances:				
Restricted:				
Debt service		460,632		460,632
Capital projects			383,468	383,468
Unrestricted:				
Nonspendable	102,990			102,990
Unassigned	480,191			480,191
Total Fund Balances	583,181	460,632	383,468	1,427,281
Total Liabilities and Fund Balances	$ 647,988	$ 470,340	$ 383,468	$ 1,501,796
Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

Exhibit B(1)

Adjustments (Note 2)	Statement of Net Position
$	$ 114,954
	1,272,514
	2,015
(9,323)	
	102,990
539,881	539,881
876,437	876,437
1,406,995	2,908,791
	63,177
(9,323)	
94,418	94,418
662,938	662,938
(295,197)	(295,197)
10,075,000	10,075,000
10,527,836	10,600,336
(2,015)	
(460,632)	
(383,468)	
(102,990)	
(480,191)	
(1,427,281)	
(8,642,955)	(8,642,955)
366,214	366,214
585,196	585,196
$ (7,691,545)	$ (7,691,545)

Montgomery County Municipal Utility District No. 128A

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2021

	General	Debt Service	Capital Projects	Total
Revenues				
Property taxes	$ 568,644	$ 130,905	$	$ 699,549
Penalties and interest		1,338		1,338
Investment earnings	206	345	298	849
Other income	4,950			4,950
Total Revenues	573,800	132,588	298	706,686
Expenditures/Expenses				
Current:				
Professional fees	132,802			132,802
Contracted services	17,002	16,626	400	34,028
Administration	31,882			31,882
Other		8,691	72	8,763
Capital Outlay	243,477		8,368,943	8,612,420
Developer Interest				
Conveyance of Assets				
Debt Service:				
Principal retirement				
Interest and fiscal charges		77,373		77,373
Bond issue costs			589,431	589,431
Depreciation				
Total Expenditures/Expenses	425,163	102,690	8,958,846	9,486,699
(Deficiency) of Revenues (Under) Expenditures	148,637	29,898	(8,958,548)	(8,780,013)
Other Financing Sources (Uses)				
Internal transfers		430,734	(430,734)	
Developer advances	243,477			243,477
Bond proceeds			10,075,000	10,075,000
Bond premium (discount)			(302,250)	(302,250)
Total Other Financing Sources	243,477	430,734	9,342,016	10,016,227
Change in Fund Balance	392,114	460,632	383,468	1,236,214
Change in Net Position				
Fund Balances/Net Position - Beginning	191,067			191,067
Fund Balances/Net Position - Ending	$ 583,181	$ 460,632	$ 383,468	$ 1,427,281

See Notes to Financial Statements.

Exhibit B(2)

Adjustments (Note 2)	Statement of Activities
$ 1,181	$ 700,730
	1,338
	849
	4,950
1,181	707,867
	132,802
	34,028
	31,882
	8,763
(8,612,420)	
564,090	564,090
6,720,875	6,720,875
101,471	178,844
	589,431
25,808	25,808
(1,200,176)	8,286,523
(1,198,995)	
(243,477)	
(10,075,000)	
302,250	
(10,016,227)	
(1,236,214)	
(7,578,656)	(7,578,656)
(303,956)	(112,889)
$ (9,118,826)	$ (7,691,545)

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles. The following is a summary of the most significant policies:

A. Reporting Entity

Montgomery County Municipal Utility District No. 128 was created by Chapter 867 (S.B. 2504), Acts of the 81st Legislature, Regular Session, 2009, codified at Chapter 8355 of the Texas Special District Local Laws Code ("Code"), in accordance with Article XVI, Section 59, of the Texas Constitution. On February 15, 2017, the Board of Montgomery County Municipal Utility District No. 128 adopted an Order dividing Montgomery County Municipal Utility District No. 128 into two districts: Montgomery County Municipal Utility District No. 128A (the "District") and Montgomery County Municipal Utility District No. 128B. The assets and obligations of Montgomery County Municipal Utility District No. 128 were assumed by the District under such Order. The District operates pursuant to Chapter 8355 of the Code and Chapter 49 and Chapter 54 of the Texas Water Code, as amended.

The District is empowered and authorized to purchase, construct, acquire, own, operate maintain, repair, improve or extend inside and outside its boundaries any and all works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes of its creation. 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.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered if determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities, recreational facilities and services, road facilities and debt service on bonds issued to construct the facilities.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial information. Some of the significant changes of GASB Statement No. 34 include the following:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District's major funds and are prepared using the modified basis of accounting.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended June 30, 2021.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Committed:
To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

Assigned:
To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed.

Unassigned:
To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund
The General Fund is used to account for the operations of the District and all other financial transactions not properly includable in other funds. The principal sources of revenue are property taxes. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund
The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Projects Fund
The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's facilities.

C. Interfund Transactions
During the course of operations, transactions occur between individual funds for specified purposes. If there is an intent to repay, then these receivables and payables are classified as internal receivables and payables on the combined balance sheet. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended, with no intent to repay. The interfund receivables/payables and operating transfers are eliminated for government-wide presentation.

D. Budget
An unappropriated budget is adopted for the General Fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

E. Deferred Inflows of Resources
Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned tax revenues.

F. Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Land	N/A
Building	40 years
Infrastructure	10-45 years
Other	10-20 years

G. Long-Term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums or discounts, as well as bond issuance costs, during the current period. The face amount of new debt issued is reported as other financing sources. Premiums are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date that the financial statements were available to be issued.

I. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	$ 1,427,281
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,416,318
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,015
Developer advances are not a liability in the current period and are not reportable in the funds.	(662,938)
Deferred charges relating to debt issuance costs are not reported in the funds.	295,197
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(94,418)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	(10,075,000)
Net Position of Governmental Activities	$ (7,691,545)

NOTES TO FINANCIAL STATEMENTS

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	1,236,214
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay exceeded convenyance of asset , developer interest and depreciation expense in the current period.		1,301,647
Governmental funds report developer advances as other financing sources. However, in the statement of activities, these costs are reported as a liability.		(243,477)
The issuance of long-term Debt Provides current financial recources to governmental funds, but does not have aneffect on net positions liabilities in the Statement of Net Assets.		(10,075,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable (-$101,471) and bond premium ($302,250)		200,779
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the net change in property taxes receivable and accrued penalty and interest on the accrual basis of accounting.		1,181
Change in Net Position of Governmental Activities	$	(7,578,656)

NOTE 3 - CASH AND INVESTMENTS

Cash and cash equivalents consist of non-interest bearing and interest-bearing checking accounts. The carrying amounts for cash and cash equivalent balances, which approximate fair values, by fund at June 30, 2021, are as follows:

	Checking	Total
General	$ 93,954	$ 93,954
Debt Service	20,406	20,406
Capital Projects	594	594
	$ 114,954	$ 114,954

Investments

At year-end, the District's investment balances were as follows:

	Texas CLASS	BBVA Money Market	Total
General	$ 440,091	$	$ 440,091
Debt Service	173,638	275,911	449,549
Capital Projects	382,874		382,874
	$ 996,603	$ 275,911	$ 1,272,514

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the District's deposits is required to be held in the District's name by the trust department of a bank other than the pledging bank (the District's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the District during the year.

The District's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the District's agent in the District's name.

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond orders require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at June 30, 2021.

Investment Pools

The District participates in Texas Cooperative Liquid Assets Security System ("Texas CLASS"), an external public funds investment pool that in not SEC-registered. Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, N.A., as the custodian and is supervised by a Board of trustees who are elected by the participants. Investment held by Texas Class are reported at fair value. The investments are considered Level 1 investments because their fair value is based on quoted prices in active markets. There are no limits or restriction on withdrawal from Texas CLASS.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk - Investments

In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities.

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy operation/maintenance taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond orders require that ad valorem taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied for debt service requirements are without limitation as to rate or amount.

All property values are determined by the Montgomery County Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1st of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the current year, the District levied a combined rate of $1.10 per $100 of assessed valuation of which $0.89 was allocated to maintenance and operations and $0.21 was allocated to debt service. The resulting tax levy was $687,710 on the adjusted taxable valuation of $62,519,100 for the 2020 tax year.

Property taxes receivable at June 30, 2021 consisted of the following:

	General Fund	Debt Service Fund	Total
2020 Levy	$ 1,630	$ 385	$ 2,015
2019 Levy			
Total Property Taxes Receivable	$ 1,630	$ 385	$ 2,015

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021, follows:

	Balance July 1, 2020	Increases	(Decreases)	Balance June 30, 2021
Governmental Activities:				
Non-depreciable Assets:				
Land and easements	$	$ 539,881	$	$ 539,881
Total Non-depreciable Assets		539,881		539,881
Depreciable Assets:				
Recreational facilities	117,611	787,574		905,185
Total Depreciable Assets	117,611	787,574		905,185
Less Accumulated Depreciation	(2,940)	(25,808)		(28,748)
Totals	$ 114,671	$ 1,301,647	$	$ 1,416,318

Depreciation expense for the year ended June 30, 2021, totaled $25,808.

NOTE 6 – LONG-TERM DEBT

Long-term debt includes bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended June 30, 2021:

Bonds payable, July 1, 2020	$	-
Bonds issued		10,075,000
Bonds retired		-
Bonds Payable, June 30, 2021	$	10,075,000

Bonds Payable at June 30, 2021, are comprised of the following issues.

Series	Amounts Outstanding	Interest Rate	Date Serially Begin/End	Maturity Interest Dates	Callable Date
2020 Bonds	$6,075,000	2.375%-4.875%	Sept. 1 2022/2045	March 1/ Sept. 1	Sept. 1, 2025 *
2020A Bonds	$4,000,000	2.50%-5.00%	Sept 1 2022/2045	March 1/ Sept. 1	Sept. 1, 2025 *

* Or any date thereafter in accordance with redemption provision of the bond resolution.

As of June 30, 2021, the debt service requirements on the bonds outstanding are as follows:

Year	Principal	Interest	Total
2022	$	$ 287,156	$ 287,156
2023	290,000	280,016	570,016
2024	300,000	265,487	565,487
2025	310,000	250,465	560,465
2026	320,000	234,953	554,953
2027-2031	1,755,000	1,004,208	2,759,208
2032-2036	2,020,000	772,687	2,792,687
2037-2041	2,345,000	505,773	2,850,773
2042-2046	2,735,000	183,495	2,918,495
	$ 10,075,000	$ 3,784,240	$ 13,859,240

Due To Developer

The District has entered into financing agreements with District developers (each a "Developer") for the financing of the construction of water, sanitary sewer and stormwater drainage facilities, as well as park and recreational and road facilities. Under the agreement the Developer agrees to fund construction and operating costs until such time as the District can sell bonds to reimburse the developer. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. Developer advances for operating costs are recorded in the year the advances are received.

As of June 30, 2021, the District has recorded a government-wide liability to the developer of $662,938 related to operating advances.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance 30-Jun-21	Amounts Due within One Year
Governmental Activities:					
Bonds payable:	$	$ 10,075,000	$	$ 10,075,000	$
Unamortized bond discount		(302,250)	(7,053)	(295,197)	(7,053)
Due to developer	419,461	243,477		662,938	
Total Long-term Debt	419,461	10,016,227	(7,053)	10,442,741	(7,053)

NOTE 8 - UNREIMBURSED DEVELOPER COSTS

As of June 30, 2021, the District has unreimbursed developer costs related to the construction of District facilities of approximately $27,072,934. Reimbursement to the Developer will come from future bond sales, subject to TCEQ approval and verification by the District's auditor. These projects will be reported in the government-wide financial statements upon completion of construction.

NOTE 9 - UTILITY FUNCTIONS AND SERVICE ALLOCATION AGREEMENT

The District operates pursuant to a First Amended and Restated Utility Functions and Services Allocation Agreement (the "Utility Agreement") between the District and the City of Conroe (the "City"), dated July 14, 2016. Pursuant to the Utility 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 to serve development occurring within the boundaries of the District, and the City agreed to accept the facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of these facilities. The City shall provide retail water and sewer service, police, fire-fighting, first responder and trash services to all residents of the District at the same cost as other parts of the City. The District shall retain title to and shall be responsible for the operations and maintenance of recreational and detention facilities.

The Utility Agreement provides that the City pay an annual rebate to the District in the form of an annual payment. The annual rebate is determined by multiplying the City tax rate attributable to water, sewer and drainage facilities by the District's taxable assessed value divided by one hundred. The parties shall use the City's most recent Comprehensive Annual Financial Report to perform such re-evaluation.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - DEVELOPMENT, FINANCING AND ANNEXATION AGREEMENT

On February 15, 2017, the District entered into a Development, Financing and Annexation Agreement ("Agreement") with HF Holding Company, LLC d/b/a Woodlands HF Holding Company, LLC (the "Landowner") and HF Management Development Company, LLC, d/b/a Woodlands HF Management Development Company, LLC ("Affiliate") whereby the District agrees to annex land and provide water, sanitary sewer and stormwater drainage services, as well as park and recreational facilities and services and road facilities to the area covered in the Agreement. The Affiliate agrees at its cost and expense, but subject to the provision of the Agreement, to be responsible for the construction of and/or payment for all facilities necessary to provide said services. The District agrees to sell bonds for the purpose of paying and reimbursing the developer for the facilities to be constructed, owned and operated by the District in accordance with the terms of the Agreement.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements, which exceeded coverage amounts in this fiscal year.

NOTE 12 - ECONOMIC DEPENDENCY AND DEFICIT NET POSITION

The District had a deficit net investment in capital assets of $8,642,955 which is primarily due to the conveyance of assets to the City of Conroe and to the District's dependence on the Developer for operating advances to meet its financial obligations. During fiscal year 2021, The District issued $10,075,000 of Series 2020 and 2020A bonds for the construction of District's facilities, of which $6,720,875 of assets were conveyed to the City of Conroe pursuant the District's Utility Agreement with the City of Conroe.

NOTE 13 – PENDING BOND APPLICATION

On June 18, 2021, the District submitted an application to the commission for a proposed bond issue in the amount of $4,810,000. The application was pending as of June 30, 2021, the District's fiscal year end. If approved, the District anticipates issuing bonds in fiscal year 2022.

NOTE 14 – UNCERTAINTIES

In 2020, the World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by the Governor of Texas. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally, and is expected to continue negatively affecting economic growth and financial markets within Texas. While the potential impact of COVID-19 on the District can not be quantified at this time, the continued outbreak of COVID-19 could have a negative impact on the District's financial condition

<u>REQUIRED SUPPLEMENTARY INFORMATION</u>

Montgomery County Municipal Utility District No. 128A

Exhibit C(1)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2021

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Property taxes	$ 686,056	$ 686,056	$ 568,644	$ (117,412)
Investment earnings	50	50	206	156
Other income			4,950	4,950
Total Revenues	686,106	686,106	573,800	(112,306)
Expenditures				
Current:				
Professional fees	88,250	88,250	132,802	(44,552)
Contracted services	14,000	14,000	17,002	(3,002)
Administration and other	44,995	44,995	31,882	13,113
Capital Outlay			243,477	(243,477)
Total Expenditures	147,245	147,245	425,163	(277,918)
(Deficiency) of Revenues (Under) Expenditures	538,861	538,861	148,637	(390,224)
Other Financing Sources				
Developer advances			243,477	243,477
Change in Fund Balance	538,861	538,861	392,114	(146,747)
Fund Balances - Beginning	191,067	191,067	191,067	
Fund Balances - Ending	$ 729,928	$ 729,928	$ 583,181	$ (146,747)

Montgomery County Municipal Utility District No. 128A

Exhibit C(2)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 and serves as a planning tool. Encumbrance accounting is not utilized.

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TEXAS SUPPLEMENTARY INFORMATION

Montgomery County Municipal Utility District No. 128A

SCHEDULE OF SERVICES AND RATES

For the Year Ended June 30, 2021

1. Services provided by the District:

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

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

___ Other (specify): ______________________________

2. Retail Service Providers

a. Retail rates based on 5/8" meter Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): Not Applicable

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	N/A	N/A	N	N/A	10,001-50,000
				N/A	50,001 & over
Wastewater	N/A	N/A	N	N/A	10,001-50,000
				N/A	50,001 & over

Wastewater is not metered.

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

Total charges per 10,000 gallons usage:

Water N/A Wastewater $ N/A

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
< or = .75"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

3. Total Water Consumption During the Fiscal Year: (Rounded to the nearest thousand)

Gallons pumped into system: N/A Water Accountability Ratio (Gallons billed/Gallons pumped)

Gallons billed to customers: N/A

4. Standby Fees

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

If yes, date of the most recent Commission Order ________

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

If yes, date of the most recent Commission Order ________

5. Location of District:

County(ies) in which District is located. Montgomery

Is the District located entirely within one county? Yes _X_ No ___

Is the District located within a city? Entirely _X_ Partly ___ Not at all ___

City(ies) in which District is located. City of Conroe, Texas

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

Entirely ___ Partly ___ Not at all _X_

ETJ's in which District is located. ________

Are Board members appointed by an office outside the District?

Yes ___ No _X_

If yes, by whom? ________

Montgomery County Municipal Utility District No. 128A

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended June 30, 2021

Current	
Professional Fees:	
Auditing	$ 8,250
Legal	77,765
Engineering	46,787
	132,802
Contracted Services:	
Bookkeeping	17,002
	17,002
Administrative Expenditures:	
Directors fees	7,650
Insurance	15,728
Other	8,504
	31,882
Capital Outlay	243,477
Total Expenditures	$ 425,163

Montgomery County Municipal Utility District No. 128A

TSI-3

SCHEDULE OF TEMPORARY INVESTMENTS

For the Year Ended June 30, 2021

Funds	Identification or Certificate Number	Interest Rate (%)	Maturity Date	Balances at June 30, 2021	Accrued Interest
General Fund					
Texas CLASS		N/A	N/A	$ 440,091	$
Total General Fund				440,091	
Debt Service Fund					
BBVA Money Market		N/A	N/A	275,911	
Texas CLASS		N/A	N/A	173,638	
Total Debt Service Fund				449,549	
Capital Projects Fund					
Texas CLASS		N/A	N/A	342,016	
Texas CLASS		N/A	N/A	40,858	
Total Capital Projects Fund				382,874	
Total All Funds				$ 1,272,514	$

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Montgomery County Municipal Utility District No. 128A

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended June 30, 2021

	General Fund	Debt Service Fund	Total
Taxes Receivable - July 01, 2020	$ 834	$	$ 834
Additions and corrections-prior years	13,020		13,020
Adjusted Taxes Receivable - July 01, 2020	13,854		13,854
2020 Original Tax Roll	517,780	122,173	639,953
Additions and corrections-current year	38,640	9,117	47,757
Adjusted tax roll	556,420	131,290	687,710
Total to be Accounted for	570,274	131,290	701,564
Tax Collections			
Current year	554,790	130,905	685,695
Prior years	13,854		13,854
Total Collections	568,644	130,905	699,549
Taxes Receivable - June 30, 2021	$ 1,630	$ 385	$ 2,015
Taxes Receivable - By Tax Year			
2020	$ 1,630	$ 385	$ 2,015
2019			
2018			
2017			
2016 and prior			
Taxes Receivable - June 30, 2021	$ 1,630	$ 385	$ 2,015

	2020	2019	2018	2017
Property Valuations				
Land	24,538,650	15,871,760	5,289,312	3,689,880
Improvements	37,744,084	14,225,709		
Personal Property	236,366	123,634		
Total Property Valuations	$ 62,519,100	$ 30,221,103	$ 5,289,312	$ 3,689,880
Tax Rates Per $100 Valuations				
Debt service	$ 0.210	$	$	$
Maintenance & operations *	0.890	1.100	1.100	1.100
Total Tax Rate per $100 Valuation	$ 1.100	$ 1.100	$ 1.100	$ 1.100
Tax Levy*	$ 687,710	$ 332,432	$ 58,182	40,589
Percent of taxes collected to taxes levied (as adjusted)	99.7%	100.0%	100.0%	100.0%

* Maximum tax rate approved by voters: $1.50 on May 9th, 2017.

Montgomery County Municipal Utility District No. 128A

TSI-5

LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

June 30, 2021

Due During Fiscal Year Ending June 30,	Total All Series Principal Due September 1	Total All Series Interest Due September 1 March 1,	Total All Series Total	Series 2020 Principal Due September 1	Series 2020 Interest Due September 1 March 1,	Series 2020 Total
2022	$	$ 287,156	$ 462,156	$	$ 171,331	$ 346,331
2023	290,000	280,016	575,016	175,000	167,066	347,066
2024	300,000	265,487	570,487	180,000	158,412	343,412
2025	310,000	250,465	570,465	185,000	149,515	344,515
2026	320,000	234,953	559,953	195,000	140,253	340,253
2027	330,000	220,025	555,025	200,000	131,375	336,375
2028	340,000	208,853	553,853	205,000	124,816	334,816
2029	350,000	200,487	555,487	210,000	119,887	334,887
2030	360,000	191,878	561,878	215,000	114,841	339,841
2031	375,000	182,965	562,965	225,000	109,615	339,615
2032	380,000	173,812	558,812	230,000	104,212	339,212
2033	390,000	164,478	564,478	235,000	98,691	343,691
2034	405,000	154,841	564,841	245,000	92,991	342,991
2035	415,000	144,900	569,900	250,000	87,112	347,112
2036	430,000	134,656	569,656	260,000	81,056	346,056
2037	440,000	124,110	574,110	265,000	74,822	349,822
2038	455,000	113,088	578,088	275,000	68,238	353,238
2039	470,000	101,525	576,525	285,000	61,238	351,238
2040	480,000	89,650	579,650	290,000	54,050	354,050
2041	500,000	77,400	587,400	300,000	46,675	356,675
2042	515,000	64,712	589,712	310,000	39,050	359,050
2043	530,000	51,319	591,319	320,000	30,975	360,975
2044	545,000	37,210	592,210	330,000	22,444	362,444
2045	565,000	22,641	597,641	340,000	13,650	363,650
2046	580,000	7,613	233,019	350,000	4,594	
Totals	$ 10,075,000	$ 3,784,240	$ 13,854,646	$ 6,075,000	$ 2,266,909	$ 8,337,315

Due During Fiscal Year Ending June 30,	Series 2020A Principal Due September 1	Series 2020A Interest Due September 1 March 1,	Series 2020A Total
2022		115,825	115,825
2023	115,000	112,950	227,950
2024	120,000	107,075	227,075
2025	125,000	100,950	225,950
2026	125,000	94,700	219,700
2027	130,000	88,650	218,650
2028	135,000	84,037	219,037
2029	140,000	80,600	220,600
2030	145,000	77,037	222,037
2031	150,000	73,350	223,350
2032	150,000	69,600	219,600
2033	155,000	65,787	220,787
2034	160,000	61,850	221,850
2035	165,000	57,788	222,788
2036	170,000	53,600	223,600
2037	175,000	49,288	224,288
2038	180,000	44,850	224,850
2039	185,000	40,287	225,287
2040	190,000	35,600	225,600
2041	200,000	30,725	230,725
2042	205,000	25,662	230,662
2043	210,000	20,344	230,344
2044	215,000	14,766	229,766
2045	225,000	8,991	233,991
2046	230,000	3,019	233,019
Totals	$ 4,000,000	$ 1,517,331	$ 5,517,331

Montgomery County Municipal Utility District No. 128A

TSI-6

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

For the Year Ended June 30, 2021

	2020	2020A	Total
Interest rate	2.375-4.875%	2.50-5.00%	
Dates interest payable	9/1;3/1	9/1;3/1	
Maturity dates	9/1/22- 9/1/45	9/1/22- 9/1/45	
Callable dates	9/1/2025	9/1/2025	
Original issue amount	$ 6,075,000	$ 4,000,000	
Bonds outstanding at beginning of year	$	$	$
Bonds sold	6,075,000	4,000,000	10,075,000
Bonds refunded			
Principal retirements			
Bonds Outstanding at End of Current Year	$ 6,075,000	$ 4,000,000	$ 10,075,000
Interest Retirements	$ 46,165	$ 31,208	$ 77,373

Paying Agent/Registrar

All Series: Amegy Bank of Texas

Bond Authority	Tax Bonds
Amount authorized	$
Water, wastewater & drainage	132,000,000
Recreational	56,000,000
Road	42,000,000
Amount issued	
Water, wastewater & drainage	6,075,000
Recreational	
Road	4,000,000
Remaining	$ 219,925,000

Debt Service Fund Cash and Temporary Investment Balances at End of Year	$ 469,955
Average Annual Debt Service Payment for Remaining Term of all Debt	$ 554,186

Montgomery County Municipal Utility District No. 128A

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017*
General Fund Revenues					
Property taxes	$ 568,644	$ 342,457	$ 18,249	$ 40,589	$
Penalties and interest		919			
Groundwater reduction plan fees					
Tap connection fees					
Interest and other	5,156	2,780	766	50	138
Total Revenues	573,800	346,156	19,015	40,639	138
General Fund Expenditures					
Current	181,686	150,878	118,149	101,690	94,183
Capital outlay	243,477			117,611	
Total Expenditures	425,163	150,878	118,149	219,301	94,183
Revenues Over (Under) Expenditures	$ 148,637	$ 195,278	$ (99,134)	$ (178,662)	$ (94,045)
Debt Service Fund Revenues					
Property taxes	$ 130,905	$	$	$	$
Penalty and interest	1,338				
Interest	345				
Total Revenues	132,588				
Debt Service Fund Expenditures					
Tax collection	25,317				
Debt service	77,373				
Total Expenditures	102,690				
Revenues Over (Under) Expenditures	$ 29,898	$	$	$	$

* Unaudited

Percent of Total Fund Revenues				
2021	**2020**	**2019**	**2018**	**2017**
99.1 %	98.9 %	96.0 %	99.9 %	%
	0.3			
0.9	0.8	4.0	0.1	100.0
100.0	100.0	100.0	100.0	100.0
31.7	43.6	621.3	250.2	68,248.6
42.4			289.4	
74.1	43.6	621.3	539.6	68,248.6
25.9 %	56.4 %	(521.3) %	(439.6) %	(68,148.6) %
98.7 %	%	%	%	%
1.0				
0.3				
100.0				
19.1				
58.4				
77.5				
22.5 %	%	%	%	%

Montgomery County Municipal Utility District No. 128A

TSI-8

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

June 30, 2021

District's Mailing Address:	1300 Post Oak Blvd., Suite 1400 Houston, Texas
District's Business Telephone Number:	(713) 623-4531
Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054)	27-Oct-20
Limit on Fees of Office that a Director may receive during a fiscal year (Set by Board Resolution - TWC Section 49.6000):	$ 7,200

Names	Term or Date Hired	Fees of Office Paid	Expenses	Title at Year-End
Board Members				
Justin Hood	Elected 5/20-5/24	$ 1,650	$	President
Harrison H. Montgomery	Elected 5/18-5/22	1,650		Vice President
Steven Gallia	Elected 5/20-5/24	1,500		Secretary
Bradley Rich	Elected 5/20-5/24	1,350		Director
Ed Jones	Appointed 5/18-5/22	1,500		Director
Consultants				
Schwartz, Page & Harding, L.L.P.	12/19/2014	81,059 272,913		Attorney Bond Counsel
B&A Municipal Tax Services, L.P.	9/25/2017	11,780		Tax Assessor/ Collector
LJA Engineering, Inc.	12/19/2014	51,287		Engineer
Municipal Accounts & Consulting, L.P.	9/21/2015	24,599		Bookkeeper
Knox Cox & Co., L.L.P.	6/27/2018	8,250		Independent Auditor
R.W. Baird & Co.	9/21/2015	205,718		Financial Advisor
Perdue, Brandon, Fielder, Collins & Motts, L.L.P.	1/22/2018	383		Delinquent Tax Attorney

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY – SERIES 2022 BONDS

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:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY – SERIES 2022A ROAD BONDS

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

Effective Date:

BONDS: $ in aggregate principal amount of

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)