This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "Tax Exemption."

The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX EXEMPTION – Other Tax Matters."

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 61376F

$3,385,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
(A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX ROAD BONDS
SERIES 2026A

Dated: December 1, 2026 **Due: April 1 (as shown below)**

Interest on the $3,385,000 Unlimited Tax Road Bonds, Series 2026A (the "Bonds") will accrue from December 1, 2026, and will be payable on April 1 and October 1 of each year, commencing April 1, 2027. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar 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" herein. The initial Paying Agent/Registrar is BOKF N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$60,000	2029	%	%	$130,000	2042(b)	%	%
$65,000	2030	%	%	$140,000	2043(b)	%	%
$70,000	2031	%	%	$150,000	2044(b)	%	%
$70,000	2032	%	%	$155,000	2045(b)	%	%
$75,000	2033(b)	%	%	$165,000	2046(b)	%	%
$80,000	2034(b)	%	%	$175,000	2047(b)	%	%
$85,000	2035(b)	%	%	$190,000	2048(b)	%	%
$90,000	2036(b)	%	%	$200,000	2049(b)	%	%
$100,000	2037(b)	%	%	$210,000	2050(b)	%	%
$105,000	2038(b)	%	%	$225,000	2051(b)	%	%
$110,000	2039(b)	%	%	$240,000	2052(b)	%	%
$115,000	2040(b)	%	%	$255,000	2053(b)	%	%
$125,000	2041(b)	%	%				

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

(b) The Bonds maturing on or after April 1, 2033, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2032, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 136 (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain road facilities to serve the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund eighteen months of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

The 2026A Bonds are the first series of Unlimited Tax Road Bonds and second series of bonds issued by the District. The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas or Montgomery County, is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by McCall, Parkhurst & Horton LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 16, 2026.

Bids Due: Monday, November 9, 2026 at 9:00 A.M. Houston Time

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

Any information and expressions of opinion herein contained are subject to change 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.

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 Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478, upon payment of duplication costs.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Initial Purchaser"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Initial Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Initial Purchaser.

The Initial Purchaser has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Initial Purchaser does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have 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 underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the bonds may be greater than the difference between the bids 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 PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT 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 Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District's continuing disclosure obligations because the District does not have more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the order adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Bond Resolution"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the Bond Resolution, 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") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2027. The District will provide certain updated financial information and operating data to the MSRB or any successor to its functions as a repository through its EMMA system.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within 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 the MSRB within such six month period, and audited financial statements when the audit report becomes available. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

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

In addition, while no Developer or landowner within the District is obligated to make the debt service payments contemplated hereunder, the District has agreed to provide information with respect to the Developer. Such information will be of the general type included in THE "DISTRICT TAX DATA – Principal Taxpayers." The District will continue to provide this information concerning the Developer so long as (1) the Developer owns more than 20% of the taxable property within the District by value, as reflected in the most recently certified tax rolls (and without effect to special valuation provisions), or (2) the Developer has made property tax payments to the District which were used or available to pay more than 20% of the District's unlimited tax debt service requirements in the applicable fiscal year of the District. At such time, the District's commitment to providing financial information of the Developer shall cease automatically and without further action required by the District.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the

sale of all or substantially all of the assets of the District, other than in the ordinary course of business, or 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB 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 Resolution make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes this information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement 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, if, but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments and interpretations of the 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 Underwriter 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

The District has no known failures to comply in all material respects with all previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

NO MUNICIPAL BOND RATING

The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. The Initial Purchaser (as defined herein) may bid for the Bonds with or without bond insurance. If the Initial Purchaser bids for the Bonds with bond insurance, the cost of the bond insurance premium, including any rating fees, must be paid for by the Initial Purchaser. If the Initial Purchaser purchases the Bonds with bond insurance and subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded the Initial Purchaser is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description: The $3,385,000 Unlimited Tax Road Bonds, Series 2026A (the “Bonds”), are dated December 1, 2026. The Bonds represent the second series of bonds to be issued by Montgomery County Municipal Utility District No. 136 (the “District”) and the first of such bonds to be issued for the purpose of constructing or acquiring a road system to serve the District. The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution"), adopted by the Board of Directors of the District, and an election held within the District. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, or any other political subdivision or agency. See "THE BONDS."

Redemption Provisions: The Bonds maturing on or after April 1, 2033, are subject to early redemption in whole or in part from time to time at the option of the District, on April 1, 2032, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Optional Redemption.”

Book-Entry-Only System: The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar 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."

Use of Proceeds: The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 136 (the “District”) to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain road facilities to serve the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund eighteen months of capitalized interest on the Bonds; and (4) pay issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

Payment Record: The District has previously issued one (1) series of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater, and drainage system to serve the District, of which $4,740,000 principal amount was outstanding as of December 1, 2026 (the “Outstanding Bonds”). The District’s first interest payment will be due April 1, 2027 and each October 1 and April 1 of each year. See “DISTRICT DEBT.”

Risk Factors: The Bonds are subject to certain risk factors as set forth in this Official Statement, including a high concentration of taxable value and early stages of development. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

Qualified Tax Exempt Obligations: The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2026 is not reasonably expected to exceed $10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

No Municipal Bond Rating: The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made. See “NO MUNICIPAL BOND RATING.”

Bond Insurance: The District has applied to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) for qualification of the Bonds for bond insurance. The Initial Purchaser may bid for the Bonds with or without bond insurance. If the Initial Purchaser bids for the Bonds with bond insurance, the cost of the bond insurance premium, including any rating fees, must be paid for by the Initial Purchaser. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale. See “BOND INSURANCE.”

Legal Opinion: The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX EXEMPTION.”

Paying Agent/Registrar: BOKF, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

THE DISTRICT

Description: The District is a municipal utility district created on June 14, 2013, by special act of the legislature, Senate Bill 482, 83rd Regular Texas Legislature, codified as Chapter 8433, Special District Local Laws Code. The District operates under Chapter 8433, Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 and Article III, Section 52, of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road and park powers. See "THE DISTRICT – Authority."

Location: The District consists of approximately 302 acres. The District is located in southwestern Montgomery County, Texas. The District lies fully within Montgomery County, Texas and is not within the boundaries of any city extraterritorial jurisdiction (“ETJ”) or corporate limits. The District is located approximately ten (10) miles southeast of the Magnolia, Texas. The District is located east of Texas State Highway 249 at the intersection of Dobbin Huffsmith Road and Woodtrace Boulevard. See “THE DISTRICT – Description and Location.”

Development of the District: The District is being developed for predominantly single-family residential purposes in the subdivision known as Woodhavyn. Homebuilding in the District has taken place in Woodhavyn, Sections 1 –3. As of September 1, 2026, the District included approximately 100 completed homes (of which 81 homes are owner-occupied), 34 homes under construction, and 128 vacant developed lots. Additionally, approximately 143 single-family residential lots are currently under development in Woodhavyn, Sections 4 - 5; such lots are anticipated to be available for homebuilding during the fourth quarter of 2026. See “THE DISTRICT – Status of Residential Development.”

Summary of Land Uses: As of September 1, 2026, the District included approximately 38.8 acres that have been developed and improved for single-family residential purposes, approximately 72.7 acres are currently under development, approximately 92.9 remaining developable acres, and approximately 97.69 undevelopable acres, which includes road rights-of-way, detention ponds, drainage easements, a lift station site, open spaces, and a recreation center serving the Woodhavyn subdivision. See “THE DISTRICT – Land Uses and Status of Land Development.”

The Developer: The developer of the District is Shea Homes Houston, LLC, a Delaware limited liability company (the “Developer”). The Developer is a wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership (“Shea Homes”), consisting of J.F. Shea, G.P., a Delaware general partnership, as general partner and a number of limited partners that are comprised of entities and trusts that are under the common control of the Shea family members. Shea Homes is one of the nation’s largest privately-owned homebuilders. The Developer currently has no outstanding land acquisition loans or development loans secured by its land holdings in the District. According to the Developer, all of its development activities are funded by Shea Homes. See “THE DEVELOPER.”

Homebuilders: Homes in the District are being constructed on 50-foot, 55-foot, 60-foot, and 70-foot lots by Shea Homes, Toll Brothers Homes, and Perry Homes (the “Homebuilders”). According to the Homebuilders, homes are being marketed in various price points, depending upon the size of lot and type of home product, ranging from $300,000 - $790,000. See “THE DEVELOPER – Homebuilders.”

The System: The District’s water supply and wastewater treatment services are provided by Texas Water Utilities, L.P. ("TWU"), a privately owned utility regulated by the Public Utilities Commission of Texas ("PUCT"), authorized under Certificates of Convenience and Necessity ("CCNs") issued by the PUCT and by the Texas Commission on Environmental Quality ("TCEQ"), to provide retail water and wastewater service in the area, including within the District. TWU owns and operates the water plant serving the District (the "Water Plant"), located within the District along the eastern property boundary, connecting to TWU's existing system north of the Dobbin-Huffsmith Road and Woodtrace Boulevard intersection. Pursuant to the Agreement to Provide Water and Wastewater Service between TWU and the Developer, dated June 10, 2022 (the "TWU Agreement"), the Developer has purchased 772 Living Unit Equivalents ("LUEs") of water capacity and 750 LUEs of wastewater capacity to serve the District, including 22 LUEs to serve a community recreation center, pool, splash pad, and irrigation meters. TWU and the Developer agree this is sufficient to serve the District's needs.

According to the Engineer (hereinafter defined), approximately 33.5 acres in the District’s boundaries are located within the 100-year floodplain as determined by the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48339C0485G and 48339C0495G dated August 18, 2014, for

Montgomery County, Texas. According to the Engineer, a Letter of Map Revision is anticipated to be filed to remove approximately 0.6 acres from the 100-year floodplain, and such acreage is anticipated to be developed for single-family residential purposes. Of the remaining acreage, approximately 31.9 acres will be used for detention, mitigation, open space, drill site, or left natural (area adjacent to Mill Creek Watershed and outside the proposed improvements). See “THE SYSTEM” and “RISK FACTORS – Atlas 14.”

SELECTED FINANCIAL INFORMATION

(Unaudited)

8/1/2026 Estimated Taxable Value	$67,741,722	(a)
2026 Certified Taxable Value	$38,537,230	(b)
Direct Debt:		
Outstanding Bonds (as of November 1, 2026)	$4,740,000	
The Bonds	$3,385,000	
Total Outstanding Debt	$8,125,000	
See “DISTRICT DEBT”		
Estimated Overlapping Debt	$2,323,935	(c)
Direct and Estimated Overlapping Debt	$10,448,935	
Percentage of Direct Debt to:		
8/1/2026 Estimated Taxable Value	11.99%	
2026 Certified Taxable Value	21.08%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2026 Estimated Taxable Value	15.42%	
2026 Certified Taxable Value	27.11%	
See “DISTRICT DEBT”		
2026 Tax Rate Per $100 of Assessed Value:		
Debt Service Tax	$0.00	(d)
Road Debt Service Tax	$0.00	(d)
Maintenance and Operations Tax	$1.30	
Total 2026 Tax Rate	$1.30	
Cash and Temporary Investment Balances as of October 19, 2026:		
General Fund	$63,898	(e)
Debt Service Fund (to be funded with the Series 2026 Bonds)	$373,275	(f) (g)
Road Debt Service Fund (Pro-Forma)	$304,650	(f) (g)

(a) Reflects data supplied by the Montgomery Central Appraisal District (“MCAD” or the “Appraisal District”). The Estimated Taxable Value as of August 1, 2026, was prepared by MCAD and provided to the District. Such values are not binding on MCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by MCAD, which includes $872,972, which represents 80% of uncertified taxable value that is still in the certification process. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(c) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(d) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of road facilities. Additionally, the District’s $4,740,000 Unlimited Tax Bonds, Series 2026 represented the first series of bonds to be issued by the District to finance the acquisition or construction of water, wastewater, and drainage facilities. Therefore, the District has not yet levied a road debt service tax or a debt service tax. The District intends to levy a road debt service tax and a debt service tax commencing in 2027. See “DISTRICT TAX DATA – Tax Rate Distribution.”

(e) Unaudited figure per the District’s records. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See “THE SYSTEM – General Fund Operating History” and “RISK FACTORS – Operating Funds.”

(f) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Bonds. Likewise, the cash and investment balances in the Road Debt Service Fund will not be available to make debt service payments on the District’s bonds sold for water, wastewater, and drainage purposes. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and “THE BONDS – Funds.”

(g) The cash and investment balance in the Road Debt Service Fund represents an estimate of 18 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. The cash and investment balance in the Debt Service Fund represents accrued interest and capitalized interest funded with proceeds of the District’s $4,740,000 Unlimited Tax Bonds, Series 2026. See “USE OF BOND PROCEEDS.”

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds. This table does not reflect that 18 months of interest was capitalized from proceeds of the Outstanding Bonds and 18 months of interest will be capitalized from proceeds of the Bonds to pay debt service on the Bonds.

Year	Outstanding Debt Service Requirements	Debt Service on the Bonds		Total Debt Service Requirements (a)
		Principal	Interest (a)	
2027	$253,476	-	$169,250	$422,726
2028	$276,519	-	$203,100	$479,619
2029	$358,013	$60,000	$201,300	$619,313
2030	$355,794	$65,000	$197,550	$618,344
2031	$353,163	$70,000	$193,500	$616,663
2032	$350,119	$70,000	$189,300	$609,419
2033	$346,663	$75,000	$184,950	$606,613
2034	$347,588	$80,000	$180,300	$607,888
2035	$342,894	$85,000	$175,350	$603,244
2036	$342,581	$90,000	$170,100	$602,681
2037	$337,663	$100,000	$164,400	$602,063
2038	$339,300	$105,000	$158,250	$602,550
2039	$341,425	$110,000	$151,800	$603,225
2040	$338,156	$115,000	$145,050	$598,206
2041	$344,363	$125,000	$137,850	$607,213
2042	$344,913	$130,000	$130,200	$605,113
2043	$344,938	$140,000	$122,100	$607,038
2044	$344,438	$150,000	$113,400	$607,838
2045	$348,281	$155,000	$104,250	$607,531
2046	$351,338	$165,000	$94,650	$610,988
2047	$348,738	$175,000	$84,450	$608,188
2048	$355,350	$190,000	$73,500	$618,850
2049	$356,044	$200,000	$61,800	$617,844
2050	$355,950	$210,000	$49,500	$615,450
2051	$359,938	$225,000	$36,450	$621,388
2052	$362,875	$240,000	$22,500	$625,375
2053	$364,541	$255,000	$7,650	$627,191
TOTALS	**$9,265,061**	**$3,385,000**	**$3,522,500**	**$16,172,561**

Maximum Annual Debt Service Requirements (2053)..... $627,191 (a)

Requires a $0.98 debt service tax rate on the August 1, 2026 Estimated Taxable Value at 95% collections ..... $630,675(a)

Requires a $1.72 debt service tax rate on the 2026 Certified Taxable Value at 95% collections ..... $629,698 (a)

(a) Preliminary, subject to change. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

PRELIMINARY OFFICIAL STATEMENT

relating to

$3,385,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
(A political subdivision of the State of Texas located within Montgomery County, Texas)

UNLIMITED TAX ROAD BONDS
SERIES 2026A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the $3,385,000 Montgomery County Municipal Utility District No. 136 Unlimited Tax Road Bonds, Series 2026A (the "Bonds").

The Bonds are being issued pursuant to Article III, Section 52 of the Texas Constitution, Chapter 8433, Texas Special District Local Laws Code, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Bond Resolution"), and an election held within the District. See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Economic Factors

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or home building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Houston area is competitive and the District can give no assurance that current home building programs will be completed. The competitive position of the developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements within the market area in which the District is located. Such sites could pose competition to the continued home-building development on comparable sites within the District.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served

by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of the Developer 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.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Undeveloped Acreage and Vacant Lots

There are approximately 92.9 developable but undeveloped acres and there are 128 single-family residential lots that remain vacant as of September 1, 2026. Failure of the builders to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of homes. The District makes no representation as to the success of any homebuilding programs. See "THE DISTRICT – Status of Residential Development."

Dependence on Principal Taxpayers

There is a high concentration of ownership of taxable property in the District. According to the District's 2026 certified tax rolls as provided by MCAD, the top 10 taxpayers are responsible for approximately 51.14% of the District's 2026 taxes. The District's principal taxpayers include Shea Homes Houston LLC, which represents approximately $11,363,783 of taxable assessed valuation, or approximately 30.17% of the District's 2026 Certified Taxable Value. Additionally, the District's principal taxpayers include the Developer and certain of the Homebuilders, which collectively represent approximately $14,933,806 of taxable assessed valuation, or approximately 39.64% of the District's 2026 Certified Taxable Value.

The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease operations within the District, a substantial decrease in the District's value may result; the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund, or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DISTRICT'S DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser (defined herein) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections Limitations and Foreclosures Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The

District's ability to collect ad valorem taxes through such foreclosure may be impaired by: (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property; (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below; or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See “TAXING PROCEDURES.”

Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes, that have already been paid.

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment 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 the 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating 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 the District.

Approval of the Bonds

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

Landowners/Developer Under No Obligation to the District

The Developer has informed the District of its current plans to continue to develop land in the District for residential and, to a certain extent, commercial purposes. However, neither the Developer nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes or commercial improvements in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed lots (currently existing lots or lots anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers, including the Developer, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2026 tax rate of $1.30 per $100 of assessed valuation is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Montgomery County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax. The District intends to maintain a plan of financing that would allow the District to keep a total tax rate (including its operations and maintenance tax rate and debt service tax rates) of $1.30 per $100 of assessed valuation or less.

Assuming no further construction of residential projects within the District other than those that have been constructed, the value of such land and improvements within the District could be a major determinant of the ability of the District to collect and the willingness of property owners to pay ad valorem taxes levied by the District. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be $627,191 (2053). The August 1, 2026 Estimated Taxable Value of property within the District is $67,741,722. Assuming no increase or decrease in the August 1, 2026 Estimated Taxable Value and no use of other District funds, a debt service tax rate of $0.98 per $100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2026 Certified Taxable Value of property within the District is $38,537,230, which includes $872,972 of uncertified taxable value that is still in the certification process. Assuming no increase or decrease in the 2026 Certified Taxable Value and no use of other District funds, a debt service tax rate of $1.72 per $100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Operating Funds

The District does not own or operate the water supply and wastewater treatment system and therefore does not receive payments from customers for water and wastewater service. The District set a 2026 maintenance tax rate in the amount of $1.30 per $100 assessed valuation. The revenue produced from the maintenance tax must be sufficient to offset the operating expenses of the District. The District's 2026 operations and maintenance tax levy amount is approximately $490,964, which will be deposited into the District's General Fund. As of September 14, 2026, the District's General Fund had an unaudited cash and investment balance of $78,895. For the fiscal year ending May 31, 2027, the District is currently budgeting expenditures of $173,710. Maintenance of a positive General Fund balance will depend upon: (1) continued development and increased amounts of maintenance tax revenue; and (2) operating advances from the Developer from time to time, which may be reimbursed from proceeds of future bonds. If its General Fund balance is depleted, then the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of $1.30 per $100 of assessed valuation subsequent to the sale of the Bonds. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. The District is not currently budgeting, nor anticipating the need for, any operating advances from the Developer. See "THE SYSTEM – General Fund Operating History."

Future Debt

The District's voters have authorized the issuance of Unlimited Tax Road Bonds for various purposes as reflected in the table below:

Amount	Purpose
$360,360,000	For certain waterworks, sanitary sewer, and drainage and storm water facilities and for refunding
$157,080,000	For certain road facilities and for refunding
$78,960,000	For certain recreational facilities and for refunding

After the issuance of the Bonds, the District will have $153,695,000 of Unlimited Tax Road Bonds for road facilities (and for refunding such bonds previously issued) that will remain authorized but unissued, $355,620,000 of Unlimited Tax Bonds for water,

sanitary sewer, and drainage and storm water facilities (and for refunding such bonds previously issued) that remain authorized but unissued, and $78,960,000 of Unlimited Tax Bonds for recreational facilities (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting Unlimited Tax Road Bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

As noted elsewhere in this Official Statement, the District intends to maintain a plan of financing that would allow the District to keep a total tax rate (including its operations and maintenance tax rate and debt service tax rates) of $1.30 per $100 of assessed valuation or less. See “RISK FACTORS – Dependence on Future Development and Potential Impact on District Tax Rates” and “THE BONDS – Issuance of Additional Debt.”

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose (“Park Bonds”). Before the District could issue Park Bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the Park Bonds by the Attorney General of Texas. If the District does issue Park Bonds, the outstanding principal amount of such Bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District. The District held a recreational facilities bond election on November 7, 2023, that authorized $78,960,000 of recreational facilities bonds, none of which has been issued to date.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Financing Road Facilities

The District is authorized by statute to develop road facilities, including the issuing of bonds payable from taxes for such purpose (“Road Bonds”). Before the District can issue Road Bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. The outstanding principal amount of any Road Bonds issued by the District may not exceed an amount equal to twenty-five percent of the value of assessed real property in the District. The District held a road bond election that authorized $157,080,000 of road facilities bonds, $153,695,000 of which will remain authorized but unissued after issuance of the Bonds.

Continuing Compliance with Certain Covenants

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

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

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

in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or

implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 2023, the Supreme Court of the United States issued its decision in Sackett v. EPA, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the Sackett decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the Sackett decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

The 90th Texas Legislature

The regular sessions of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

Changes in Tax Legislation

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If such policy is issued, investors should be aware of the following 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 an 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 policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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 description of "BOND INSURANCE" herein.

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 Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" 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.

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

In 2018, the greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flooding – 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) Flooding – 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 manmade drainage systems (canals or channels) downstream.

National Weather Service Atlas 14 Study

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

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing developers, homebuilders, and general contractors to experience budget overruns. Further, the federal administration's impositions and threatened impositions of tariffs and the imposition or threatened impositions of retaliatory tariffs against the United States will impact the ability of developers, homebuilders, general contractors, and district consultants to estimate costs, which could have a direct effect on the District's ability to finance water, sanitary, and detention facilities. Furthermore, the federal administration's immigration policies may impact the Texas' workforce.

Cybersecurity

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

security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. See "TAXING PROCEDURES."

In addition, under the Property Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

Tax Payment Installments After Disaster

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

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

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used by the District to: (1) reimburse the Developer for advancing funds to construct certain road facilities to serve the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund eighteen months of capitalized interest on the Bonds; and (4) pay issuance expenses associated with the sale and delivery of the Bonds.

LJA Engineering, Inc. (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	**Total Amount**
Developer Contribution Items	
1. Woodtrace Boulevard Phase 1	$363,168
2. Phase 1 Clearing and Grubbing	$137,025
3. Woodhavyn Section 1	$943,541
Total Developer Contribution Items	**$1,443,734**
District Items	
1. Land Acquisition Costs	$811,769
Total District Items	**$811,769**
TOTAL CONSTRUCTION COSTS	**$2,255,504**
NON-CONSTRUCTION COSTS	
Legal Fees	$97,700
Fiscal Agent Fees	$67,700
Interest Costs:	
Capitalized Interest (18 months)	$304,650
Developer Interest	$476,833
Bond Discount	$101,550
Bond Issuance Expenses	$50,678
Bond Application Costs	$27,000
Attorney General's Fee	$3,385
Contingency	$0
TOTAL NON-CONSTRUCTION COSTS	**$1,129,496**
TOTAL BOND ISSUE REQUIREMENT	**$3,385,000**

THE DISTRICT

Authority

The District is a municipal utility district created on June 14, 2013, by special act of the legislature, Senate Bill 482, 83rd Regular Texas Legislature, codified as Chapter 8433, Special District Local Laws Code. The District operates under Chapter 8433, Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 and Article III, Section 52, of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road and park powers.

Under certain limited circumstances, the District is authorized to construct, develop, maintain, and finance park and recreational facilities, and to construct, develop, maintain, and finance roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District. See "RISK FACTORS – Financing Road Facilities," "– Financing Parks and Recreational Facilities," and "THE BONDS – Issuance of Additional Debt."

Description and Location

The District consist of approximately 302 acres. The District is located in southwestern Montgomery County, Texas. The District lies fully within Montgomery County, Texas and is not within the boundaries of any city extraterritorial jurisdiction or corporate limits. The District is located approximately ten (10) miles southeast of the Magnolia, Texas. The District is located east of Texas State Highway 249 at the intersection of Dobbin Huffsmith Road and Woodtrace Boulevard.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of September 1, 2026, appears in the following table:

Type of Land Use	Approximate Acres
Developed and Improved Single-Family Acres (a)	38.8
Acres Under Development (b)	72.7
Remaining Developable Acreage (c)	92.9
Undevelopable Acreage (d)	97.69
Total Approximate Acres	**302.09**

(a) Represents land that is served with utilities and has single-family residential improvements constructed on site, including Woodhavyn, Sections 1–3. See "– Status of Residential Development" herein.

(b) Represents the developable acres located in Woodhavyn, Sections 4 - 5, which are currently under development and expected to collectively contain 143 single-family residential lots. The lots in Woodhavyn, Section 4 (49 single-family residential lots) and Woodhavyn, Section 5 (94 single-family residential lots) are anticipated to be available for homebuilding during the fourth quarter of 2026. See "THE DEVELOPER – Future Development."

(c) Represents land available for future development, including certain commercial reserves. Such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon.

(d) Includes road rights-of-way, detention ponds, drainage easements, a lift station site, open spaces, and a recreation center serving the Woodhavyn subdivision.

Status of Residential Development

The District is being developed for predominantly single-family residential purposes in the subdivision known as Woodhavyn. Homebuilding within the District commenced in 2025. The following table indicates the approximate status of single-family residential development as of September 1, 2026.

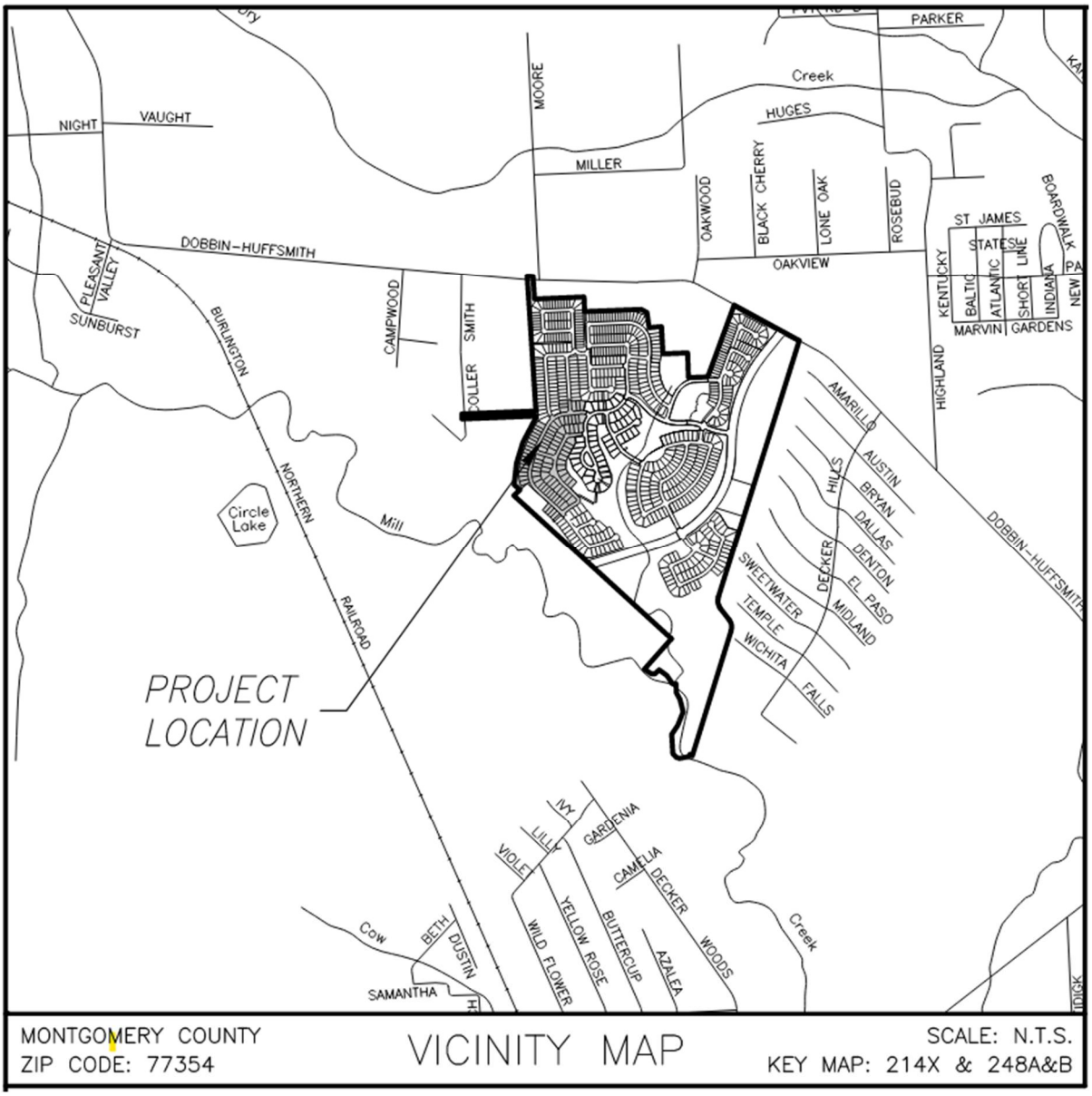
		Homes		
Subdivision/Section	Total Lots	Complete	Under Construction	Vacant Lots
Woodhavyn, Section 1 (a)	48	36	6	6
Woodhavyn, Section 2 (a)	112	64	22	26
Woodhavyn, Section 3 (a)	102	0	6	96
TOTALS	**262**	**100** (b)	**34**	**128** (c)

(a) Homes in Woodhavyn subdivision are being constructed by Shea Homes, Perry Homes and Toll Brothers Homes on 40-foot, 50-foot, and 60-foot lots and are being sold in the $300,000 - $740,000 price range.

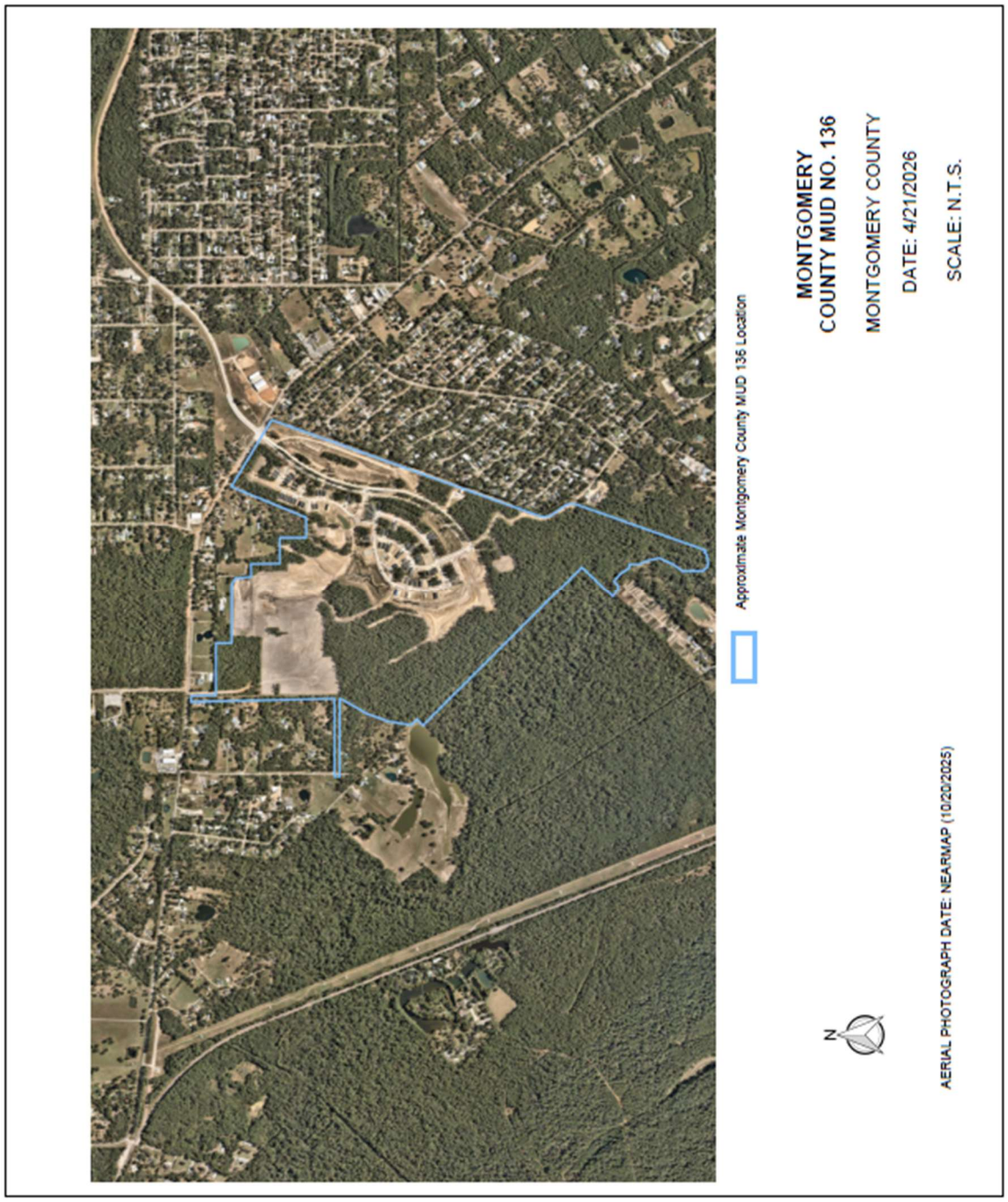
(b) According to the Developer, approximately 81 of the completed homes are owner-occupied.

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

Location Map



Aerial Photograph



THE DEVELOPER

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 a district, designing the streets in the subdivision, 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, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developer

The Developer within the District is Shea Homes Houston, LLC, a Delaware limited liability company (the “Developer”). The Developer is a wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership (“Shea Homes”), consisting of J.F. Shea, G.P., a Delaware general partnership, as general partner and a number of limited partners that are comprised of entities and trusts that are under the common control of the Shea family members. Shea Homes is one of the nation’s largest privately-owned homebuilders. The Developer’s revenue includes lot sales, home sales, and reimbursements due from municipal utility districts, including the District. The Developer currently has no outstanding land acquisition loans or development loans secured by its land holdings in the District. According to the Developer, all of its development activities are funded by Shea Homes. The Developer is currently operating at a profit. The Developer owns more than 30% of the District's taxable property by value, as reflected in the District's 2026 certified tax rolls. The Developer is also one of the Homebuilders (hereinafter defined) in the District. The Developer currently has no outstanding land acquisition loans or development loans secured by its land holdings in the District. According to the Developer, all of its development activities are funded by Shea Homes.

MAK Development Group (“MAK”) is a Houston-based firm that has been engaged by the Developer pursuant to an agreement (the “Management Agreement”) for the oversight and management of the development operations associated with the initiation and completion of the land development project within the District. Pursuant to the Management Agreement, the management activities of MAK include, but are not limited to, pre-development coordination and supervision of the Developer’s consultants and professionals, execution of the approved project plans and specifications, and supervising lot marketing and sales. Michael Kim is the President of MAK and is responsible for managing all of its operations. Michael Kim holds a B.S. degree from Penn State University and has been involved in real estate development and construction since 1991.

Future Development

The Developer owns additional land within the District that is currently undeveloped, which is anticipated to be developed for single-family residential purposes in the Woodhavyn subdivision. According to the Developer, the Woodhavyn subdivision is currently planned for 737 single-family residential lots at ultimate buildout, of which 262 single-family residential lots have heretofore been developed in Woodhavyn, Sections 1 – 3, and 143 single-family residential lots are currently under development in Woodhavyn, Sections 4 - 5. According to the Developer, the lots in Woodhavyn, Section 4 (49 single-family residential lots) and Woodhavyn, Section 5 (94 single-family residential lots) are anticipated to be available for homebuilding during the fourth quarter of 2026. See “THE DISTRICT – Land Uses and Status of Land Development” and “– Status of Residential Development.”

As stated elsewhere in this Official Statement, the Developer has no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Future development and homebuilding depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developer represents that the remaining development of the Woodhavyn subdivision will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See “RISK FACTORS – Economic Factors,” “– Competition,” and “– Landowners/Developer Under No Obligation to the District.”

Homebuilders

Homes in the District are being constructed on 50-foot, 55-foot, 60-foot, and 70-foot lots by Shea Homes, Toll Brothers and Perry Homes (the “Homebuilders”). According to the Homebuilders, homes are being marketed in various price points depending upon the size of lot and type of home product ranging from $300,000 - $740,000. See “THE DISTRICT – Status of Residential Development.”

THE SYSTEM

Water Supply

The District's water supply is provided by the CCN holder, Texas Water Utilities, L.P ("TWU"), formerly known as Monarch Utilities I LP. District residents receive their water from the District's water plant (the "Water Plant") which is located within the District along the eastern property boundary and is owned and operated by Texas Water Utilities, L.P. The Water Plant will have the capacity to serve 772 LUEs, per the agreement between TWU and the District's Developer. The District connects to an existing 6" waterline, that is part of TWU's existing system, which is located on the Northeast side of the Dobbin Huffsmith and Woodtrace Boulevard intersection. The District's developer has purchased 772 LUEs of water plant capacity from TWU. TWU has agreed to provide retail water supply services within the District. The water supply is sufficient to serve the 772 LUEs, in accordance with the agreement between TWU and the District's Developer.

Wastewater Treatment

TWU owns and operates the wastewater treatment plant and has an agreement with the District's Developer to serve 750 LUEs of wastewater treatment capacity from TWU's existing facilities. TWU provides retail sanitary sewer services within the District. The District's wastewater capacity needs is capable of being served the 750 LUEs, per the agreement. TWU bills the District residents for wastewater treatment hand collects and retains such revenue.

Drainage and Detention Facilities

Rainfall is collected through curb and gutter and storm sewers and routed to a series of detention ponds. The underground storm drainage collection system serving Woodhavyn, Sections 1 – 3 is complete. The District falls within the Mill Creek Watershed. Within the Mill Creek Watershed, the natural pattern for overland flow for the District is to sheet flow from North/Northeast to South/Southwest before entering into the Mill Creek Watershed. To provide drainage within the District, detention ponds have been constructed to provide outfall drainage. The drainage ultimately outfalls at one location into the existing Mill Creek watershed.

100-Year Floodplain

According to the Engineer (hereinafter defined), approximately 33.5 acres in the District's boundaries are located within the 100-year floodplain as determined by the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48339C0485G and 48339C0495G dated August 18, 2014, for Montgomery County, Texas. According to the Engineer, a Letter of Map Revision is anticipated to be filed to remove approximately 0.6 acres from the 100-year floodplain, and such acreage is anticipated to be developed for single-family residential purposes. Of the remaining acreage, approximately 31.9 acres will be used for detention, mitigation, open space, drill site, or left natural (area adjacent to Mill Creek Watershed and outside the proposed improvements).

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year May 31, (a)	
REVENUES	**2026**	**2025**
Property taxes	$197,181	$21,892
Investment and Miscellaneous Revenues	1,133	-
TOTAL REVENUES	**$198,314**	**$21,892**
EXPENDITURES		
Professional fees	$78,932	$58,349
Contracted services	$27,128	$19,777
Other	$45,950	$29,828
TOTAL EXPENDITURES	**$152,010**	**$107,954**
OTHER FINANCING SOURCES		
Developer Advances (b)	$95,000	$90,000
NET CHANGE IN FUND BALANCE	**$141,304**	**$3,938**
BEGINNING FUND BALANCE	**$11,570**	**$7,632**
ENDING FUND BALANCE (c)	**$152,874**	**$11,570**

(a) Data is taken from the District's audited financial statements. See "APPENDIX A." The information for the fiscal year ended May 31, 2025, represents the first year of audited financial statements.

(b) The District has been funded by operating advances from the Developer. As noted elsewhere in this Official Statement, the Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. The District is not currently budgeting, nor anticipating the need for, any operating advances from the Developer. See "RISK FACTORS – Operating Funds

(c) As of September 14, 2026, the District's General Fund had an unaudited cash and investment balance of $78,895. For the fiscal year ending May 31, 2027, the District's General Fund is currently budgeting revenues of $477,600 and expenditures of $173,710.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Expires May
Derek Goff	President	2030
Matthew Salazar	Vice President	2030
Brian Myers	Secretary	2030
David Hogue	Assistant Secretary	2028
Tyler Stone	Assistant Vice President	2028

Consultants

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District has contracted with Assessments of the Southwest, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with Municipal Accounts and Consulting, L.P. for bookkeeping services.

Auditor – The financial statements of the District as of May 31, 2026, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's May 31, 2026, audited financial statements.

Utility System Operator – Texas Water Utilities, L.P. owns and operates utility systems that serve the District and provides retail water and wastewater service directly to the District.

Engineer – The consulting engineer for the District is LJA Engineering, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered. See "OFFICIAL STATEMENT – Financial Advisor."

Bond Counsel and General Counsel – The District has engaged The Muller Law Group, PLLC, as general counsel to the District and as Bond Counsel in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Bonds are earned upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel – McCall, Parkhurst & Horton LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

SELECTED FINANCIAL INFORMATION

8/1/2026 Estimated Taxable Value	$67,741,722	(a)
2026 Certified Taxable Value	$38,537,230	(b)
Direct Debt:		
Outstanding Bonds (as of November 1, 2026)	$4,740,000	
The Bonds	$3,385,000	
Total Outstanding Debt	$8,125,000	
See “DISTRICT DEBT”		
Estimated Overlapping Debt	$2,323,935	(c)
Direct and Estimated Overlapping Debt	$10,448,935	
Percentage of Direct Debt to:		
8/1/2026 Estimated Taxable Value	11.99%	
2026 Certified Taxable Value	21.08%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2026 Estimated Taxable Value	15.42%	
2026 Certified Taxable Value	27.11%	
See “DISTRICT DEBT”		
2026 Tax Rate Per $100 of Assessed Value:		
Debt Service Tax	$0.00	(d)
Road Debt Service Tax	$0.00	(d)
Maintenance and Operations Tax	$1.30	
Total 2026 Tax Rate	$1.30	
Cash and Temporary Investment Balances as of October 19, 2026:		
General Fund	$63,898	(e)
Debt Service Fund (to be funded with Series 2026 Bonds)	$373,275	(f) (g)
Road Debt Service Fund (Pro-Forma)	$304,650	(f) (g)

(a) Reflects data supplied by the Montgomery Central Appraisal District (“MCAD” or the “Appraisal District”). The Estimated Taxable Value as of August 1, 2026, was prepared by MCAD and provided to the District. Such values are not binding on MCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by MCAD, which includes $872,972, which represents 80% of uncertified taxable value that is still in the certification process. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(c) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(d) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of road facilities. Additionally, the District’s $4,740,000 Unlimited Tax Bonds, Series 2026 represented the first series of bonds to be issued by the District to finance the acquisition or construction of water, wastewater, and drainage facilities. Therefore, the District has not yet levied a road debt service tax or a debt service tax. The District intends to levy a road debt service tax and a debt service tax commencing in 2027. See “DISTRICT TAX DATA – Tax Rate Distribution.”

(e) Unaudited figure per the District’s records. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See “THE SYSTEM – General Fund Operating History” and “RISK FACTORS – Operating Funds.”

(f) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Bonds. Likewise, the cash and investment balances in the Road Debt Service Fund will not be available to make debt service payments on the District’s bonds sold for water, wastewater, and drainage purposes. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and “THE BONDS – Funds.”

(g) The cash and investment balance in the Road Debt Service Fund represents an estimate of 18 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. The cash and investment balance in the Debt Service Fund represents accrued interest and capitalized interest funded with proceeds of the District’s $4,740,000 Unlimited Tax Bonds, Series 2026. See “USE OF BOND PROCEEDS.”

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Montgomery County	$535,450,000	0.03%	$179,922
Magnolia Independent School District	$703,170,000	0.30%	$2,144,012
Total Estimated Overlapping Debt			**$2,323,935**
The District (a)			$8,125,000
Total Direct and Estimated Overlapping Debt			**$10,448,935**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2024 and 2025. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Year	Taxable Valuation (a)	Tax Rate (b)	Tax Levy	Cumulative Tax Collections (c)	Year Ended September 30
2025	$15,173,458	$1.30	$197,255	100.00%	2026
2024	$1,678,944	$1.30	$21,826	100.00%	2025

(a) See “Analysis of Tax Base” herein.

(b) See “Tax Rate Distribution” herein.

(c) Represents cumulative collections as of August 31, 2026.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to $1.50 per $100 of assessed valuation at an election held on November 7, 2023. See “Tax Rate Distribution” herein.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

Road Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of road facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a road facilities tax of up to $0.25 per $100 of assessed valuation at an election held on November 7, 2023. The District has never levied a road facilities tax and the District currently has no plans to levy such tax.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2024 through 2026.

	2026	2025	2024
Debt Service	$0.00 (a)	$0.00	$0.00
Maintenance/Operations	$1.30	$1.30	$1.30
Total	**$1.30**	**$1.30**	**$1.30**

(a) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of road facilities. Additionally, the District's $4,740,000 Unlimited Tax Bonds, Series 2026 represented the first series of bonds to be issued by the District to finance the acquisition or construction of water, wastewater, and drainage facilities. Therefore, the District has not yet levied a road debt service tax or a debt service tax. The District intends to levy a road debt service tax and a debt service tax commencing in 2027.

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 Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2026 and the other information provided by this table were provided by MCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of MCAD. See "RISK FACTORS – Principal Taxpayers."

Property Owner	Property Description	Property Value	% of Total
Shea Homes Houston LLC (a) (b)	Land and Improvement	$11,363,783	30.17%
Perry Homes LLC (b)	Land and Improvement	$2,600,339	6.90%
Toll Southwest (b)	Land and Improvement	$969,684	2.57%
Homeowner	Land and Improvement	$657,249	1.74%
Homeowner	Land and Improvement	$653,705	1.73%
Homeowner	Land and Improvement	$653,623	1.73%
Homeowner	Land and Improvement	$607,135	1.61%
Homeowner	Land and Improvement	$604,949	1.60%
Homeowner	Land and Improvement	$590,135	1.56%
Homeowner	Land and Improvement	$577,395	1.53%
	TOTALS	**$19,277,997**	**51.14%**

(a) See "THE DEVELOPER – Description of the Developer."

(a) See "THE DEVELOPER – Homebuilders."

Analysis of Tax Base

Based on information provided to the District by the Appraisal District and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2024 through 2026.

Year	Land	Improvement		Personal Property	Gross Valuations	Exemptions	Taxable Valuations	
2026	$14,783,458	$23,546,456		$528,997	$38,858,911	$1,194,653	$37,664,258	(a)
2025	$15,173,458	$-	(b)	$-	$15,173,458	$-	$15,173,458	
2024	$1,678,944	$-		$-	$1,678,944	$-	$1,678,944	

(a) Reflects only the portion of the January 1, 2026 Certified Taxable Value that is presently certified on the District's tax roll and, therefore, excludes $872,972 of uncertified taxable value that is still in the certification process.

(b) Homebuilding in the District commenced subsequent to January 1, 2025. See "THE DISTRICT – Status of Residential Development."

Estimated Overlapping Taxes

The following table sets forth all 2025 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Jurisdictions	2025 Tax Rate
Montgomery County	$0.377000
Montgomery County Hospital District	$0.047300
Magnolia Independent School District	$0.958300
Montgomery County Emergency Services District No. 1(	$0.092200
Lone Star College	$0.106000
Overlapping Taxes	**$1.580800**
The District (a)	$1.300000
Total Direct & Overlapping Taxes	**$2.880800**

(a) The District's 2026 total tax rate.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the August 1, 2026 Estimated Taxable Value and the 2026 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2053).....$627,191 (a)

Requires a $0.98 debt service tax rate on the August 1, 2026 Estimated Taxable Value at 95% collections .....$630,675 (a)

Requires a $1.72 debt service tax rate on the 2026 Certified Taxable Value at 95% collections .....$629,698 (a)

(a) Preliminary, subject to change.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. For the tax year 2026, the District has rejected exemptions to residential homesteads of persons 65 years or older and certain disabled persons. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such

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

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

Freeport Goods and Goods-in Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating not later than 175 days after the person acquired or imported the property into the State.

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

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

Tax Abatement

Montgomery County, Texas may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, Texas, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the 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 the terms of the tax abatement agreement. The terms of all tax abatement agreements need not be the same.

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the MCAD. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Montgomery County, including the District, are included in the MCAD. MCAD is responsible for appraising property within the District, subject to review by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of the District, or the qualified voters of the District or of Montgomery County at an election held for such purpose, determines to transfer such functions to the MCAD or another taxing unit.

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required

to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Implementation of this amendment could reduce the assessed value of builder inventory within the District if any single-family residential development and building were to occur. See "TAX DATA – Principal Taxpayers" below. The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the MCAD or whether reappraisals will be conducted on a zone or county-wide basis. The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. 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, including taxes for the previous three years for agricultural use, land and timberland, prior to the loss of the designation.

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

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property. The rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

Disaster Exemption

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State. 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 (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the property value in question may be determined by

the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of the District based upon a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The owner of a residential homestead property who is a person sixty-five (65) years of age or older or under a disability for the purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act is 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.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: For the 2026 tax year, the District is classified as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

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

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from December 1, 2026, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2027, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on and after April 1, 2033, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2032, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District' fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, or any entity other than the District.

Defeasance

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

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

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

Funds

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

Accrued interest on the Bonds and eighteen (18) months of capitalized interest, funded with proceeds of the Bonds, shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund.

No Arbitrage

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

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under

the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of Unlimited Tax Bonds for various purposes as reflected in the table below:

Amount	Purpose
$360,360,000	For certain waterworks, sanitary sewer, and drainage and storm water facilities and for refunding
$157,080,000	For certain road facilities and for refunding
$78,960,000	For certain recreational facilities and for refunding

After the issuance of the Bonds, the District will have $153,695,000 of Unlimited Tax Road Bonds for road facilities (and for refunding such bonds previously issued) that will remain authorized but unissued, $355,620,000 of Unlimited Tax Bonds for water, sanitary sewer, and drainage and storm water facilities (and for refunding such bonds previously issued) that remain authorized but unissued, and $78,960,000 of Unlimited Tax Bonds for recreational facilities (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ.

Further, the principal amount of park bonds sold by the District is limited to one percent of the District's certified taxable assessed valuation, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting Unlimited Tax Road Bonds at this time.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee 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, the Financial Advisor, and the Initial Purchaser believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in the 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, tenders, defaults, and proposed amendments to the Certificate 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 registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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).

All 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 the 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Initial Purchaser takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Proceedings

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include a copy of the approving 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 Bonds are valid and binding obligations of the District, payable from the levy of ad valorem taxes without limitation as to rate or amount. The District will also furnish the legal opinion of The Muller Law Group, PLLC, Sugar Land, 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 Texas Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes as further described in "TAX EXEMPTION."

In its capacity as Bond Counsel, The Muller Law Group, PLLC has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12 (except for the subheading "Compliance with Prior Undertakings")," "THE DISTRICT – Authority," "TAXING PROCEDURES," "THE BONDS," "LEGAL MATTERS," and "TAX EXEMPTION" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein.

The Muller Law Group, PLLC also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to in its capacity as General Counsel are based on time charges actually incurred or a fixed fee. The legal fees paid to The Muller Law Group, PLLC in its capacity as Bond Counsel for services rendered in connection with the issuance of the

Bonds are based on a percentage of the bonds actually issued, sold and delivered and are earned upon sale and delivery of the Bonds.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986 (the "Code") and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

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 from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT.

No-Litigation Certificate

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

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 from that set forth or contemplated in the Preliminary Official Statement.

TAX EXEMPTION

Opinion of Bond Counsel

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

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

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

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

Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

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

Applicable Corporations: Bond Counsel's opinion also states that under current law interest on the Bonds may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds $1 billion.

Other Tax Matters

The Bonds will be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," “USE OF BOND PROCEEDS,” and certain engineering matters included in "THE DISTRICT – Description and Location" and "THE DISTRICT – Land Uses and Status of Land Development" has been provided by LJA Engineering, Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by MCAD and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of May 31, 2026, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's May 31, 2026, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District’s audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Initial Purchaser.

Official Statement Deemed Final

For purposes of compliance with the Rule and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date (or any such supplement or correction) except for the omission of no more than information permitted by the Rule. This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 136 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED MAY 31, 2026

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

Mike M. McCall
(retired)
Debbie Gibson
(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal Utility District No. 136
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 136 (the "District") as of and for the year ended May 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of May 31, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Estimate

As described in Note 6 to the financial statements, the District's government-wide financial statements as of and for the year ended May 31, 2025, have been restated for certain accounting estimate changes. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Montgomery County Municipal Utility District No. 136

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

August 10, 2026

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2026

Management's discussion and analysis of the financial performance of Montgomery County Municipal Utility District No. 136 (the "District") provides an overview of the District's financial activities for the year ended May 31, 2026. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounted for property tax revenues, developer advances, professional fees, and administrative costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $359,890 as of May 31, 2026.

A portion of the District's net position reflects its net investment in capital assets (capital assets less any debt used to acquire those assets that is still outstanding). The table on the following page provides a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2026	2025*	Change Positive (Negative)
Current and Other Assets	$ 164,930	$ 33,995	$ 130,935
Capital Assets (Net of Depreciation)	5,320,652	5,440,831	(120,179)
Total Assets	$ 5,485,582	$ 5,474,826	$ 10,756
Due to Developer	$ 5,833,424	$ 5,718,971	$ (114,453)
Other Liabilities	12,048	22,425	10,377
Total Liabilities	$ 5,845,472	$ 5,741,396	$ (104,076)
Net Position:			
Net Investment in Capital Assets	$ (207,772)	$ (68,140)	$ (139,632)
Unrestricted	(152,118)	(198,430)	46,312
Total Net Position	$ (359,890)	$ (266,570)	$ (93,320)

*As Adjusted, Note 6

The following table provides a comparative analysis of the District's operations for the year ended May 31, 2026, and May 31, 2025. The District's net position decreased by $93,320.

	Summary of Changes in the Statement of Activities		
	2026	2025*	Change Positive (Negative)
Total Revenues	$ 198,322	$ 21,892	$ 176,430
Expenses for Services	291,642	176,094	(115,548)
Change in Net Position	$ (93,320)	$ (154,202)	$ 60,882
Net Position, Beginning of Year	(266,570)	(112,368)	(154,202)
Net Position, End of Year	$ (359,890)	$ (266,570)	$ (93,320)

*As Adjusted, Note 6

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of May 31, 2026, was $152,874, an increase of $141,304 from the previous fiscal year primarily due to property tax revenues and developer advances exceeding professional and administrative costs.

CAPITAL ASSETS

Capital assets as of May 31, 2026, total $5,320,652 (net of accumulated depreciation) and include the water, wastewater and drainage systems. Road facilities are conveyed to Montgomery County for ownership, operation, and maintenance.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2026	2025*	Change (Negative)
Capital Assets Subject to Depreciation:			
Drainage Facilities	$ 2,876,804	$ 2,924,566	$ (47,762)
Roadways	2,443,848	2,516,265	(72,417)
Total Net Capital Assets	$ 5,320,652	$ 5,440,831	$ (120,179)

*As Adjusted, Note 6

As discussed in Note 9, completed water and wastewater facilities are conveyed to Texas Water Utilities, L.P. ("Utility") by the Developer in accordance with the service agreement. In exchange for conveyance of these assets, Utility agrees to provide services to District customers pursuant to the Utilities Certificate of Convenience and Necessity. The Utility will assume operation and maintenance responsibilities for the conveyed utilities. The District will retain ownership and maintenance of certain storm drainage facilities. The District's policy is to record its investment in infrastructure as capital assets in its financial statements as well as the associated long-term liabilities to finance the costs of such facilities which are used for the benefit of residents within the District.

LONG-TERM DEBT

To date, the District has not issued any bond debt.

As of May 31, 2026, the District recorded an amount due to the Developer of $5,833,424 which consisted of operating advances made by the Developer since inception as well as costs associated with the construction of drainage facilities, as well as roads.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. The budget was not amended in the current fiscal year. Actual revenues were $176,814 more than budgeted revenues, actual expenditures were $33,060 more than budgeted expenditures and actual developer advances were $2,450 less than budgeted advances which resulted in a positive budget variance of $141,304. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 136, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
MAY 31, 2026

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 71,868	$	$ 71,868
Investments	89,056		89,056
Receivables:			
Property Taxes	8		8
Prepaid Costs	3,998		3,998
Capital Assets (Net of Depreciation)		5,320,652	5,320,652
TOTAL ASSETS	$ 164,930	$ 5,320,652	$ 5,485,582
LIABILITIES			
Accounts Payable	$ 12,048	$	$ 12,048
Due to Developer		5,833,424	5,833,424
TOTAL LIABILITIES	$ 12,048	$ 5,833,424	$ 5,845,472
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 8	$ (8)	$ -0-
FUND BALANCE			
Nonspendable: Prepaid Costs	$ 3,998	$ (3,998)	$
Unassigned	148,876	(148,876)	
TOTAL FUND BALANCE	$ 152,874	$ (152,874)	$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 164,930		
NET POSITION			
Net Investment in Capital Assets		$ (207,772)	$ (207,772)
Unrestricted		(152,118)	(152,118)
TOTAL NET POSITION		$ (359,890)	$ (359,890)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2026

Total Fund Balance - Governmental Fund	$	152,874
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		5,320,652
Deferred inflows of resources related to property tax revenues for the 2025 tax levy became part of recognized revenue in the governmental activities of the District.		8
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This liability at year consists of:		
Due to Developer		(5,833,424)
Total Net Position - Governmental Activities	$	(359,890)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MAY 31, 2026

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 197,181	$ 8	$ 197,189
Investment and Miscellaneous Revenues	1,133		1,133
TOTAL REVENUES	$ 198,314	$ 8	$ 198,322
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 81,046	$	$ 81,046
Contracted Services	27,128		27,128
Depreciation		139,632	139,632
Other	43,836		43,836
TOTAL EXPENDITURES/EXPENSES	$ 152,010	$ 139,632	$ 291,642
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 46,304	$ (139,624)	$ (93,320)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 95,000	$ (95,000)	$ -0-
NET CHANGE IN FUND BALANCE	$ 141,304	$ (141,304)	$
CHANGE IN NET POSITION		(93,320)	(93,320)
FUND BALANCE/NET POSITION - JUNE 1, 2025, AS REPORTED	11,570	(4,801,319)	(4,789,749)
CHANGE IN ACCOUNTING ESTIMATE		4,523,179	4,523,179
JUNE 1, 2025, AS RESTATED	$ 11,570	$ (278,140)	(266,570)
FUND BALANCE/NET POSITION - MAY 31, 2026	$ 152,874	$ (419,444)	$ (359,890)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2026

Net Change in Fund Balance - Governmental Fund	$	141,304
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		8
Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities.		(139,632)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.		(95,000)
Change in Net Position - Governmental Activities	$	(93,320)

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

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 136 (the "District") was created effective June 14, 2013, as a result of the passage of Senate Bill 482, 83rd Regular Session of the Texas Legislature, codified as Chapter 8433, Texas Special District Laws Code, as a conservation and reclamation district created under and essential to accomplish the purposes of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operating pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, to provide solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on September 8, 2022.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it's the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The District's one governmental fund is considered a major fund. The General Fund accounts for property tax revenues, developer advances, professional fees, and administrative costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets

Capital assets, which include the drainage facilities and roadways, are reported in the government-wide Statement of Net Position. Capital assets, if acquired, will be reported in the Statement of Net Position at historical cost. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset will be capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than $10,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over 3-45 years.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

As discussed in Note 9, completed water and wastewater facilities are conveyed to Texas Water Utilities, L.P. ("Utility") by the Developer in accordance with the service agreement. In exchange for conveyance of these assets, Utility agrees to provide services to District customers pursuant to the Utilities Certificate of Convenience and Necessity. The Utility will assume operation and maintenance responsibilities for the conveyed utilities. Road facilities are conveyed to Montgomery County for ownership, operation and maintenance. The District will retain ownership and maintenance of certain storm drainage facilities. In accordance with governmental accounting standards, the District's policy is to record its investment in infrastructure as capital assets in its financial statements as well as the associated long-term liabilities to finance the costs of such facilities which are used for the benefit of residents within the District.

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. BOND AUTHORIZATION

The District has authorized but unissued bonds in the amount of $360,360,000 for the purposes of acquiring or construction of water, sewer, drainage and storm sewer facilities, including refunding bonds, $157,080,000 for road facilities, including refunding bonds, $78,960,000 for recreational facilities, including refunding bonds.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District's deposits was $71,868 and the bank balance was $7,615. The District was not exposed to custodial credit risk.

Investments

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

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

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of May 31, 2026, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 89,056	$ 89,056

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2026, the District's investments in Texas CLASS was rated "AAAm" by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

NOTE 5. MAINTENANCE TAX

On November 7, 2023, District voters authorized the levy and collection of a maintenance tax not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used for operation and maintenance purposes. During the year ended May 31, 2026, the District levied an ad valorem maintenance tax rate of $1.30 per $100 of assessed valuation, which resulted in a tax levy of $197,255 on the adjusted taxable valuation of $15,173,458 for the 2025 tax year.

On November 7, 2023, District voters authorized the levy and collection of a maintenance tax for road facilities not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. As of May 31, 2026, the District has not levied a road maintenance tax.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2026, is as follows:

	June 1, 2025*	Increases	Decreases	May 31, 2026
Capital Assets Subject to Depreciation				
Drainage Facilities	$ 2,974,376	$ 19,453	$	$ 2,993,829
Roadways	2,534,595			2,534,595
Total Capital Assets Subject to Depreciation	$ 5,508,971	$ 19,453	$ -0-	$ 5,528,424
Accumulated Depreciation				
Drainage Facilities	$ 49,810	$ 67,215	$	$ 117,025
Roadways	18,330	72,417		90,747
Total Accumulated Depreciation	$ 68,140	$ 139,632	$ -0-	$ 207,772
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 5,440,831	$ (120,179)	$ -0-	$ 5,320,652

*As Adjusted. During the current fiscal year, it was determined that amounts previously recorded as capital assets that will be funded by the Utility, as defined in Note 2, will no longer be recorded as capital assets of the District. In addition, amounts previously recorded as a due to developer for the costs of those capital assets to be funded by the Utility, will not be shown as due to the developer in the District's financial statements. The capital assets were reduced by $5,834,258 and the amount shown as due to developer was reduced by $10,357,437. These changes in accounting estimates resulted in an increase to the Net Position balance as of May 31, 2025 totaling $4,523,179.

NOTE 7. UNREIMBURSED COSTS

The District has entered into a financing and reimbursement agreement with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has recorded a liability to the Developer of $5,833,424 for completed construction projects and operating advances as of May 31, 2026. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity:

Due to Developer, June 1, 2025*	$ 5,718,971
Current year additions	114,453
Due to Developer, May 31, 2026	$ 5,833,424

*As Adjusted, Note 6

NOTE 8. RISK MANAGEMENT

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

NOTE 9. AGREEMENT FOR WATER SUPPLY AND WASTEWATER SERVICES

The District is located within Utility's political boundaries and service area where Utility is a privately owned water and wastewater utility regulated by the Public Utilities Commission of Texas ("PUCT") that provides water and wastewater services in and around the State of Texas, as authorized under PUCT issued Certificates of Convenience and Necessity and by the Texas Commission on Environmental Quality.

On June 10, 2022, the Developer of the District entered into an agreement with Utility stating Utility shall provide potable water and wastewater treatment services to the Development. The Developer will construct the internal facilities necessary to service customers within the District's boundaries. Upon completion of such system, the system will be conveyed to Utility. In consideration of the District's construction and conveying such system, Utility shall assume all operation and maintenance responsibilities for the water and wastewater systems.

NOTE 10. ROADWAY IMPROVEMENT AND DETENTION VARIANCE AGREEMENT

The District and Montgomery County ("County") entered into a Roadway Improvement and Detention Variance Agreement dated April 25, 2025, whereby the District will construct a portion of Woodtrace Blvd. (referred to as "Segment 3") in multiple phases subject to future reimbursement from the County from the proceeds of County bond sales, TxDOT funds, or other funds lawfully available for use by the County. The Agreement further provides that if the County has not reimbursed such costs within 5 years, the District may sell bonds to pay such costs, subject to payments from the County for that portion of the debt service on such bonds attributable to Segment 3. The County has sold bonds to pay for Woodtrace Blvd. improvements, among other projects. Subsequent to year-end, but prior to the report date, the District received reimbursement from Montgomery County for $3,096,984 of eligible Phase 1 of Segment 3 roadway improvement costs and on June 22, 2026, reimbursed the Developer for the same amount.

NOTE 11. PENDING BOND APPLICATION

Subsequent to year end, the District submitted a $4,740,000 bond application to the Commission. If and when these bonds are approved by the Commission, the proceeds will be used to reimburse the Developer for construction and engineering for Phase 1 Detention and Drainage, Storm Drainage to serve Woodtrace Boulevard Phase 1, Phase 1 clearing and grubbing, Woodhavyn Section 1, water, sewer and drainage, land acquisition costs, operating advances, developer interest, capitalized interest and various bond issuance costs.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2026

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 21,500	$ 197,181	$ 175,681
Investment and Miscellaneous Revenues		1,133	1,133
TOTAL REVENUES	$ 21,500	$ 198,314	$ 176,814
EXPENDITURES			
Service Operations:			
Professional Fees	$ 77,000	$ 81,046	$ (4,046)
Contracted Services	23,000	27,128	(4,128)
Other	18,950	43,836	(24,886)
TOTAL EXPENDITURES	$ 118,950	$ 152,010	$ (33,060)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (97,450)	$ 46,304	$ 143,754
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 97,450	$ 95,000	$ (2,450)
NET CHANGE IN FUND BALANCE	$ -0-	$ 141,304	$ 141,304
FUND BALANCE - JUNE 1, 2025	11,570	11,570	
FUND BALANCE - MAY 31, 2026	$ 11,570	$ 152,874	$ 141,304

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2026

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2026

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

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

____ Participates in joint venture, regional system and/or wastewater service

____ Other (specify):

Note: The Texas Water Utilities is the provider of water and wastewater treatment services to residents of the District. See Note 9.

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No ____

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely ____ Partly ____ Not at all __X__

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

Entirely ____ Partly ____ Not at all __X__

Are Board Members appointed by an office outside the District?

Yes ____ No __X__

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2026

PROFESSIONAL FEES:		
Auditing	$	16,750
Engineering		13,336
Legal		50,960
TOTAL PROFESSIONAL FEES	$	81,046
CONTRACTED SERVICES:		
Bookkeeping	$	27,128
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	8,564
Insurance		3,941
Drone Survey		21,840
Legal Notices		309
Office Supplies and Postage		463
Website, Meetings, and Other		8,719
TOTAL ADMINISTRATIVE EXPENDITURES	$	43,836
TOTAL EXPENDITURES	$	152,010

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
INVESTMENTS
MAY 31, 2026

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 89,056	$ - 0 -

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2026

	Maintenance Taxes	
TAXES RECEIVABLE - JUNE 1, 2025	$ -0-	
Adjustments to Beginning Balance	(66)	$ (66)
Original 2025 Tax Levy	$ 197,321	
Adjustment to 2025 Tax Levy	(66)	197,255
TOTAL TO BE ACCOUNTED FOR		$ 197,189
TAX COLLECTIONS:		
Prior Years	$ (70)	
Current Year	197,251	197,181
TAXES RECEIVABLE - MAY 31, 2026		$ 8
TAXES RECEIVABLE BY YEAR:		
2025		$ 4
2024		4
TOTAL		$ 8

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2026

	2025	2024
PROPERTY VALUATIONS:		
Land	$ 15,173,458	$ 1,684,023
TAX RATES PER $100 VALUATION:		
Maintenance	$ 1.30	$ 1.30
ADJUSTED TAX LEVY*	$ 197,255	$ 21,892
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.99 %	99.98 %

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

Maintenance Tax – Maximum tax rate of $1.50 per $100 of assessed valuation authorized by voters on November 7, 2023.

Maintenance Tax for Road Facilities – Maximum tax rate of $0.25 per $100 of assessed valuation authorized by voters on November 7, 2023.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS

	Amounts		Percentage of Total Revenues	
	2026	2025	2026	2025
REVENUES				
Property Taxes	$ 197,181	$ 21,892	99.4 %	100.0 %
Investment and Miscellaneous Revenues	1,133		0.6	
TOTAL REVENUES	$ 198,314	$ 21,892	100.0 %	100.0 %
EXPENDITURES				
Professional Fees	$ 81,046	$ 58,349	40.9 %	266.5 %
Contracted Services	27,128	19,777	13.7	90.3
Other	43,836	29,828	22.1	136.3
TOTAL EXPENDITURES	$ 152,010	$ 107,954	76.7 %	493.1 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 46,304	$ (86,062)	23.3 %	(393.1) %
OTHER FINANCING SOURCES (USES)				
Developer Advances	$ 95,000	90,000		
NET CHANGE IN FUND BALANCE	$ 141,304	$ 3,938		
BEGINNING FUND BALANCE	11,570	$ 7,632		
ENDING FUND BALANCE	$ 152,874	$ 11,570		
TOTAL ACTIVE RETAIL WATER CONNECTIONS	*	*		
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	*	*		

** The Texas Water Utilities provides water and wastewater services for residents of the District.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2026

District Mailing Address - Montgomery County Municipal Utility District No. 136
c/o The Muller Law Group, PLLC
202 Century Square Blvd
Sugar Land, TX 77478

District Telephone Number - (713) 500-6050

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2026	Expense Reimbursements for the year ended May 31, 2026	Title
Derek Goff	05/2026 - 05/2030 (Elected)	$ 1,547	$ 440	President
Matt Salazar	05/2026 - 05/2030 (Elected)	$ 1,105	$ -0-	Vice President
Brian Myers	05/2026 - 05/2030 (Elected)	$ 1,547	$ 238	Secretary
David Hogue	05/2024 - 05/2028 (Elected)	$ 1,989	$ 193	Assistant Secretary
Tyler Stone	05/2024 - 05/2028 (Elected)	$ 1,768	$ 79	Assistant Vice President

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: June 22, 2026

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 136
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2026

Consultants:	Date Hired	Fees for the year ended May 31, 2026	Title
The Muller Law Group, PLLC	11/04/22	$ 54,778	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	05/13/24	$ 12,250 $ 4,500	Auditor Agreed upon Procedures
Municipal Accounts & Consulting, L.P.	09/08/22	$ 27,497	Bookkeeper
GMS Group, LLC	09/08/22	$ -0-	Financial Advisor
LJA Engineering, Inc.	09/08/22	$ 13,336	Engineer
Assessments of Southwest, Inc.	09/11/23	$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)