

EXHIBIT B

CONSENT CONDITIONS

(a) The purposes for which the district may issue bonds are limited to the purposes of the purchase, construction, acquisition, repair, extension and improvement of land, easements, works, improvements, facilities, plants, equipment and appliances necessary to:

- (1) provide a water supply for municipal uses, domestic uses and commercial purposes;
- (2) collect, transport, process, dispose of and control all domestic, industrial or communal wastes whether in fluid, solid or composite state;
- (3) gather, conduct, divert and control local storm water or other local harmful excesses of water in the district;
- (4) exercise road powers and authority pursuant to applicable law and Chapter 54 of the Texas Water Code, as amended;
- (5) finance, develop and maintain recreational facilities for the people of the district if and as allowed by applicable law;
- (6) provide such other facilities, systems, plants and enterprises as shall be consonant with the purposes for which the district is created and permitted under state law; and
- (7) the payment of organization expenses, operation expenses during construction and interest during construction.

(b) The district may, in addition, issue refunding bonds subject to the provisions of City of Conroe Ordinance No. 1381-97 dated March 3, 1997.

(c) All bonds of the district shall be subject to the following requirements:

- (1) the terms of the bonds must expressly provide that the district reserves the right to redeem the bonds without premium on any interest payment date subsequent to the fifteenth (15th) anniversary of the date of issuance;
- (2) public bids shall be taken on the sale of all bonds;
- (3) no bonds, other than refunding bonds, may be sold for less than 95% of par;
- (4) the net effective interest rate on bonds so sold, taking into account any discount or premium as well as the interest rate borne by such bonds, may

not exceed two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of such bonds is given and bids for the bonds will be received not more than forty-five (45) days after notice of sale of the bonds is given; and

- (5) the resolution or order authorizing the issuance of the district's bonds must contain a provision that any pledge of the revenues from the operation of the district's utility facilities to the payment of debt service will terminate when and if the city takes over the assets and assumes all of the obligations of the district.

(d) No land may be added or annexed to the district until the City of Conroe has given its written consent by resolution of the City Council to such addition or annexation.

(e) Plans and specifications for the construction of any facilities financed in whole or in part with bond proceeds or any water, sanitary sewer, drainage or related facilities that are intended to become the property of district must be submitted to the director of community development of the City of Conroe and approved prior to the commencement of construction. All water wells, water meters, all valves, pipes and appurtenances installed or used within the district shall conform to the specifications of the City of Conroe. All water service lines and sewer service lines, lift stations, sewage treatment facilities, and appurtenances thereto, installed or used within the district shall comply with the City of Conroe's standard plans and specifications. Prior to the construction of such facilities the district, or its engineer, shall give written notice by registered or certified mail to the City's director of community development, stating the date that such construction will be commenced. The construction of the district's water, sanitary sewer and drainage facilities shall be in accordance with the approved plans and specifications and with applicable standards and specifications of the City of Conroe, and during the progress of the construction and installation of such facilities, the City of Conroe, or an employee thereof, shall be permitted to make periodic on-the-ground inspections.

(f) The district may not allow the owner of a tract of land to connect to the district's water or wastewater system unless such tract is a legally subdivided lot which is a part of a recorded subdivision plat or is otherwise exempt from the subdivision requirements of both the City of Conroe and Montgomery County.

Exhibit B

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of a
Texas Commission on Environmental Quality document,
which is filed in the permanent records of the Commission.
Given under my hand and the seal of office on

LaDonna Castaneda DEC 02 2008

LaDonna Castaneda, Chief Clerk
Texas Commission on Environmental Quality

AN ORDER GRANTING THE PETITION FOR CREATION OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 AND APPOINTING TEMPORARY DIRECTORS

A petition by David B. Hendricks and Houston Intercontinental Trade Center, L.P. (hereafter "Petitioners") was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter "Commission") for consideration of approval of the creation of Montgomery County Municipal Utility District No. 126 (hereafter "District") pursuant to Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.

The Commission, after having considered the petition, application material, and memorandum from the Executive Director dated November 4, 2008 (hereafter "Memorandum"), attached as Exhibit "B," finds that the petition for creation should be approved.

The Commission finds that the creation of the proposed District as set out in the application is feasible, practicable, and necessary, and would be a benefit to the land to be included in the proposed District.

The Commission further finds that the proposed District and its system and subsequent development within the proposed District will not have an unreasonable effect on land elevation, subsidence, groundwater level within the region, recharge capability of a groundwater source, natural runoff rates and drainage, water quality, or total tax assessments on all land located within the proposed District.

All of the land and property proposed may properly be included within the proposed District.

All statutory and regulatory requirements for creation of Montgomery County Municipal Utility District No. 126 have been fulfilled in accordance with TEX. WATER CODE § 54.021 and 30 TEX. ADMIN. CODE §§ 293.11-293.12.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY THAT:

1. The petition for the creation of Montgomery County Municipal Utility District No. 126 is hereby granted.

2. The District is created under the terms and conditions of Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapter 54.

3. The District shall have, and shall be subject to, all of the rights, duties, powers, privileges, authority, and functions conferred and imposed by the Commission and the general laws of the State of Texas relating to municipal utility districts, including road powers under TEX. WATER CODE § 54.234, subject to the requirements of the Commission and general laws of the State of Texas relating to the exercise of such powers.

4. The District shall be composed of the area situated wholly within Montgomery County, Texas, described by metes and bounds in Exhibit 'A' attached hereto and incorporated herein for all purposes.

5. The Memorandum dated November 4, 2008, attached as Exhibit 'B', is hereby incorporated as part of this Order.

6. The persons listed in Recommendation No. 4 of the Memorandum are hereby named and appointed as temporary directors and shall, as soon as practicable after the date of entry of this Order, execute their official bonds and take their official oaths of office. All such bonds shall be approved by the Board of Directors of the District, and each bond and oath shall be filed with the District and retained in its records.

7. This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the Commission in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for Commission consideration.

8. The Order shall not constitute approval or recognition of the validity of any provision in City of Conroe creation consent Ordinance No. 1848-08, effective May 22, 2008, nor any other ordinance/resolution incorporated therein by reference to the extent that such provision exceeds the authority granted to the City of Conroe by the laws of the State of Texas.

9. The Chief Clerk of the Commission shall forward a copy of this Order to all affected persons.

10. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **NOV 20 2008**

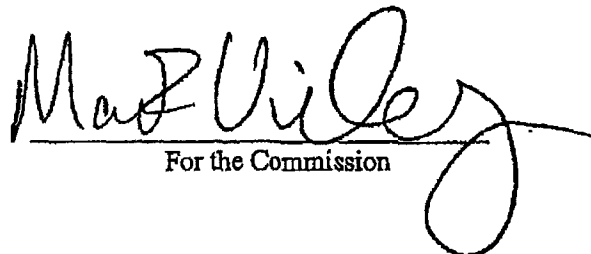

For the Commission

Exhibit A

METES AND BOUNDS DESCRIPTION
293.49 ACRES IN THE
JAMES EDWARDS SURVEY, ABSTRACT NO. 190 AND THE
ELIJAH COLLARD SURVEY, ABSTRACT NO. 7
MONTGOMERY COUNTY, TEXAS

A 293.49-ACRE TRACT OF LAND SITUATED IN THE JAMES EDWARDS SURVEY, ABSTRACT NO. 190, AND THE ELIJAH COLLARD SURVEY, ABSTRACT NO. 7, MONTGOMERY COUNTY, TEXAS, BEING A PORTION OF THAT CALLED 175.1768-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112579, ALL OF THAT CALLED 23.43-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006101070, ALL OF THAT CALLED 37.564-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY SPECIAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006051871, ALL OF THAT CALLED 33.861-ACRE TRACT CONVEYED TO HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007009290, AND ALL OF THAT CALLED 23.419-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112578 ALL OF THE OFFICIAL PUBLIC RECORDS OF REAL PROPERTY, SAID 293.49-ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS WITH ALL BEARINGS BASED ON THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE, AS DETERMINED BY GPS MEASUREMENTS;

BEGINNING at a 5/8-inch iron rod found on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet 1, Sheets 161 thru 163 of the Montgomery County Map Records;

- (1) THENCE North 12°45'59" East, along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet 1, Sheets 59 thru 65 of the Montgomery County Map Records, and continuing in all 1253.98 feet to a 5/8-inch iron rod found for the northeast corner of said Longmire on Lake Conroe Section 3;
- (2) THENCE North 77°12'18" West, 1616.63 feet, along the north line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for an interior corner of said Longmire on Lake Conroe Section 3;
- (3) THENCE North 11°56'28" East, 565.74 feet, along an interior line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod found for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, being on the 201-foot contour line;

THENCE along the 201-foot contour line, the following Rty (SD) courses and distances:

- (4) South 87°23'59" East, 33.75 feet to a point;
- (5) North 60°22'00" East, 14.06 feet to a point;
- (6) South 88°53'51" East, 14.40 feet to a point;
- (7) South 44°41'08" East, 14.73 feet to a point;
- (8) South 25°42'16" East, 23.63 feet to a point;
- (9) South 21°31'26" East, 48.80 feet to a point;
- (10) South 24°16'55" East, 36.65 feet to a point;

- (11) South 23°02'23" East, 43.48 feet to a point;
- (12) South 32°41'37" East, 41.55 feet to a point;
- (13) South 39°04'34" East, 23.02 feet to a point;
- (14) South 43°05'41" East, 23.55 feet to a point;
- (15) South 89°57'44" East, 22.50 feet to a point;
- (16) North 62°41'04" East, 21.03 feet to a point;
- (17) North 32°09'28" East, 44.39 feet to a point;
- (18) North 10°10'15" West, 36.41 feet to a point;
- (19) North 09°26'25" West, 45.34 feet to a point;
- (20) North 15°23'27" East, 43.39 feet to a point;
- (21) North 11°34'01" East, 48.40 feet to a point;
- (22) North 13°00'46" East, 21.26 feet to a point;
- (23) North 10°49'35" East, 30.78 feet to a point;
- (24) North 32°19'05" East, 12.24 feet to a point;
- (25) North 58°33'18" East, 11.79 feet to a point;
- (26) South 80°41'18" East, 26.94 feet to a point;
- (27) South 63°13'35" East, 31.75 feet to a point;
- (28) South 56°59'25" East, 57.54 feet to a point;
- (29) South 59°37'32" East, 54.26 feet to a point;
- (30) South 59°24'03" East, 33.57 feet to a point;
- (31) South 57°44'53" East, 37.89 feet to a point;
- (32) South 58°14'18" East, 35.57 feet to a point;
- (33) South 59°55'00" East, 46.09 feet to a point;
- (34) South 50°39'40" East, 31.93 feet to a point;
- (35) South 61°19'12" East, 21.88 feet to a point;
- (36) North 34°51'06" East, 20.55 feet to a point;
- (37) North 15°39'43" East, 23.19 feet to a point;
- (38) North 27°35'55" West, 25.09 feet to a point;
- (39) North 45°59'51" West, 31.29 feet to a point;
- (40) North 38°24'53" West, 41.42 feet to a point;
- (41) North 48°11'04" West, 42.03 feet to a point;
- (42) North 52°44'02" West, 37.78 feet to a point;

291.49 Acres
 James Edwards Survey, A-180
 Elijah Colvard Survey, A-7
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- (43) North 47°31'18" West, 36.54 feet to a point;
- (44) North 51°00'12" West, 68.46 feet to a point;
- (45) North 54°27'30" West, 53.57 feet to a point;
- (46) North 50°14'59" West, 43.08 feet to a point;
- (47) North 50°50'55" West, 63.18 feet to a point;
- (48) North 45°44'33" West, 33.82 feet to a point;
- (49) North 17°44'30" West, 55.91 feet to a point;
- (50) North 04°00'03" West, 43.57 feet to a point;
- (51) North 16°15'40" West, 51.84 feet to a point;
- (52) North 15°27'23" West, 69.20 feet to a point;
- (53) North 09°53'22" East, 38.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
- (54) THENCE South 81°28'22" East, at 10.00 feet passing a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for reference, and continuing in all 849.61 feet to a 5/8-inch iron rod found for the southeast corner of said Pebble Glen on the Lake;
- (55) THENCE North 11°49'44" East, along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- THENCE along the 201-foot contour line, the following twenty-one (21) courses and distances:
- (56) South 87°34'31" East, 44.31 feet to a point;
- (57) North 85°18'39" East, 103.76 feet to a point;
- (58) South 87°41'11" East, 41.82 feet to a point;
- (59) South 89°57'21" East, 52.34 feet to a point;
- (60) South 83°58'25" East, 51.16 feet to a point;
- (61) South 87°20'06" East, 50.00 feet to a point;
- (62) North 85°40'28" East, 43.08 feet to a point;
- (63) North 89°02'07" East, 48.48 feet to a point;
- (64) South 89°59'11" East, 15.57 feet to a point;
- (65) North 67°32'38" East, 22.66 feet to a point;
- (66) North 02°29'35" East, 28.08 feet to a point;
- (67) North 00°13'32" East, 29.04 feet to a point;
- (68) North 67°39'40" West, 30.47 feet to a point;
- (69) North 74°43'23" West, 56.56 feet to a point;
- (70) North 79°25'23" West, 45.28 feet to a point;
- (71) South 86°37'31" West, 74.43 feet to a point;

- (72) North 69°28'00" West, 40.10 feet to a point;
- (73) North 84°38'33" West, 45.82 feet to a point;
- (74) North 86°08'04" West, 59.74 feet to a point;
- (75) North 79°31'57" West, 49.92 feet to a point;
- (76) South 68°16'23" West, 53.48 feet to a point on the east line of Calfee Road (60-foot right-of-way) recorded in Volume 632, Page 291 and Volume 640, Page 139, both of the Montgomery County Deed Records;
- (77) THENCE North 11°11'22" East, 229.43 feet along the east line of said Calfee Road to a 1/2-inch iron rod found, being the southwest corner of the aforementioned 23.419-acre tract;
- THENCE in a northerly direction along the common line of said Calfee Road and said 23.419-acre tract, the following three (3) courses and distances:
- (78) North 21°10'57" East, 89.92 feet to a PK Nail found;
- (79) North 51°27'01" East, 105.82 feet to a 5/8-inch iron rod found;
- (80) North 12°47'09" East, 328.16 feet to a point on the southwest corner of League Line Road (60-foot-right-of-way) recorded in Volume 825, Page 182 and Volume 1049, Page 571, both of the Montgomery County Deed Records from which a 1/2-inch iron rod with cap stamped "Jeff Moon RPLS 4539" found for the most westerly northwest corner of said 23.939-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears North 12°47'09" East, 133.02 feet;
- (81) THENCE South 76°39'07" East, at 98.85 feet passing a PK Nail found for the corner of said 23.939-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-inch iron rod found;
- (82) THENCE South 77°19'32" East, 980.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-inch iron rod found, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 9509572 of the Official Public Records of Real Property;
- (83) THENCE South 13°09'43" West, along the common line of said remainder tract and said 23.419-acre tract, at 484.50 feet passing a 5/8-inch iron rod found, and continuing in all 485.18 feet to a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set on the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 458, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;
- (84) THENCE South 77°02'20" East, 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap found on the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 99.75-acre tract recorded under Montgomery County Clerk's File No. 9891554 of the Official Public Records of Real Property;
- (85) THENCE South 12°12'48" West, along the common line of said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, and Longmire Way, said 99.75-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564-acre tract, at 428.83 feet passing a 1/2-inch iron found for the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2-inch iron rod found for the common east corner of said 33.861-acre tract and said 37.564-acre tract, and continuing in all 1791.25 feet to a PK Nail found for the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;

(86) THENCE North 77°53'49" West, 2280.38 feet, along the common line of said 37.564-acre tract and said 26.5516-acre tract, to a 1/2-inch iron rod found for the common west corner of said 37.564-acre tract and said 26.5516-acre tract, being on the east line of aforementioned 321.470-acre tract;

(87) THENCE South 11°58'58" West, 507.48 feet along the common line of said 26.5516-acre tract and said 321.470-acre tract, to a 3/4-inch iron pipe found for the southwest corner of said 26.5516-acre tract and the northwest corner of The Estates of Longmire on Lake Conroe, plat of which is recorded in Cabinet H, Sheets 928, 93A, 93B, and 94A of the Montgomery County Map Records;

(88) THENCE South 11°12'47" West, 1416.70 feet, along the common line of said 321.470-acre tract and said The Estates of Longmire on Lake Conroe, to a fence corner on the north line of the aforementioned Longmire Way, being on the arc of a non-tangent curve to the right;

THENCE in a westerly direction, along the north line of said Longmire Way, the following six (6) courses and distances:

(89) Along the arc of said curve to the right having a radius of 1990.56 feet, a central angle of 09°37'51", an arc length of 195.63 feet, and a chord bearing North 74°33'58" West, 195.55 feet to a 5/8-inch iron rod found at a point of reverse curvature;

(90) Along the arc of said curve to the left having a radius of 824.29 feet, a central angle of 14°21'06", an arc length of 206.47 feet, and a chord bearing North 78°55'35" West, 205.93 feet to a 5/8-inch iron rod found at a point of reverse curvature;

(91) Along the arc of said curve to the right having a radius of 1499.91 feet, a central angle of 07°28'46", an arc length of 185.80 feet, and a chord bearing North 82°21'44" West, 195.66 feet to a 5/8-inch iron rod found;

(92) North 78°37'21" West, 386.86 feet to a 1/2-inch iron rod found at the beginning of a curve to the left;

(93) Along the arc of said curve to the left having a radius of 2711.89 feet, a central angle of 04°16'15", an arc length of 202.14 feet, and a chord bearing North 80°45'28" West, 202.09 feet to a 1/2-inch iron rod found at a point of reverse curvature;

(94) Along the arc of said curve to the right having a radius of 1997.82 feet, a central angle of 05°38'44", an arc length of 196.85 feet, and a chord bearing North 80°04'13" West, 196.77 feet to the POINT OF BEGINNING, containing a gross acreage of 293.49 acres of land.

EDMINSTER, HINSHAW, RUSS AND ASSOCIATES, INC.

Piotr A. Debski, R.P.L.S.
Texas Registration No. 5902
10555 Westoffice Drive
Houston, Texas 77042
713-784-4500



Date Jan 27, 2008
Job No: 071-018-06
File No: R:\2007\071-018-00\docs\technical\deto\293.49a.doc

293.49 Acres
James Edwards Survey, A-180
Elijah Colvard Survey, A-7
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Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Todd Chenoweth, Director
Water Supply Division

Date: November 4, 2008

Thru: *RN* Doug Holcomb, P.E. Manager, Utilities and Districts Section
RN Alex A. (Skip) Ferris, P.E. Leader, Districts Review Team

From: Districts Review Team

Subject: Petition by David B. Hendricks, individual, and Houston Intercontinental Trade Center, L.P., for Creation of Montgomery County Municipal Utility District No. 126; Pursuant to Texas Water Code Chapters 49 and 54.
TCEQ Internal Control No. 07082008-D02 (TC)
CN: 603385923 RN: 105577530

A. GENERAL INFORMATION

The Commission received a petition within the application requesting approval for the creation of Montgomery County Municipal Utility District No. 126 (District). The petition was signed by David B. Hendricks, individual, and by Michael P. Barsi, president of Revista, Inc, general partner of Houston Intercontinental Trade Center, L.P. (Petitioners). According to the petition, the Petitioners are the owners of a majority in value of the land in the proposed District, and that there are two lien holders; Sterling Bank, and Benchmark Bank, on the property to be included in the proposed District. By joinder to the petition, the lien holders consent to the creation of the proposed District.

The District is proposed to be created and organized according to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code.

Location and Access

The proposed District is located in central Montgomery County, three miles west of Interstate Highway 45 on the east side of Lake Conroe, and approximately six miles northwest of the downtown portion of the City of Conroe (City). Access to the proposed District is provided from IH-45 to League Line Road. The petition states that all of the proposed District is located within the extraterritorial jurisdiction (ETJ) of the City, and is in the process of being annexed into the corporate limits of the City.

Metes and Bounds Description

The proposed District contains one tract of land totaling 293.49 acres. The metes and bounds description of the proposed District has been checked by the Commission's staff and has been found to form an acceptable closure.

Todd Chenoweth, Director

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November 4, 2008

City Consent

By Ordinance No. 1848-08, effective May 22, 2008, the City of Conroe gave its consent to the petition for creation of the proposed District. Accordingly, the requirements of Texas Water Code Section 54.016 and Texas Local Government Code Section 42.042 have been satisfied. The City consent recognizes the proposed District providing water, wastewater, drainage, recreational, and road facilities.

Statements of Filing Petition

Evidence of filing the petition with the Montgomery County clerk's office and the Commission's Houston regional office has been provided.

Type of Project

The proposed District will be considered a "developer project" as defined by 30 TAC Section 293.44(a). Therefore, developer cost participation in accordance with 30 TAC Section 293.47 will be required.

Developer Qualifications

Application material indicates that the Petitioners have completed commercial, mixed use, and single-family residential communities in the greater Houston area for over 30 years. The material also indicates that the Petitioners are currently involved in several projects at various stages of development.

Appraisal District Certificate

By certificate dated March 6, 2008, the Montgomery Central Appraisal District has certified that the tax rolls indicate that David Hendricks and Houston Intercontinental Trade Center L.P. are the owners of the property in the proposed District. Documents provided support that the Petitioners own a majority in value of the land in the proposed District.

Temporary Director Affidavits

The Commission has received affidavits for Commission consideration of the appointment of temporary directors for the following:

Irving A. Wolf
Adam H. Soffar

Gary Calfee
Donald E. Robinowitz

Robert L. Tompkins

Each of the above persons named is qualified, as required by 30 TAC Section 293.32(a), to serve as a temporary director of the proposed District as each (1) is at least 18 years old; (2) is a resident of the state of Texas; and (3) either owns land subject to taxation within the proposed District, or is a qualified voter within the proposed District.

Todd Chenaweth, Director

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November 4, 2008

Notice Requirements

Proper notice of the application was published on August 25 and September 1, 2008, in the Conroe Courier, a newspaper regularly published or circulated in Montgomery County, the county in which the district is proposed to be located. Proper notice of the application was posted on August 25, 2008, on the bulletin board used for posting legal notices in Montgomery County. Accordingly, the notice requirements of 30 TAC Section 293.12(b) have been satisfied.

B. ENGINEERING ANALYSIS

The creation engineering report indicates the following:

Availability of Comparable Service

The proposed District will be annexed by the City. Pursuant to the terms of the Utility Services and Development Agreement (Agreement), the City will provide water supply and wastewater treatment services, and trunk lines to the proposed District, at no cost to the proposed District. The proposed District will construct, own, and operate its own internal water, wastewater, and drainage systems.

Water Supply

Pursuant to the Agreement, the City will provide the proposed District with its water supply at no cost to the proposed District.

Water Distribution

The water distribution system for full development will consist of 54,210 linear feet (lf) of 4 to 12-inch diameter lines that will connect to an existing City line. Isolation valves and flushing valves will be provided at required intervals.

Wastewater Treatment

The wastewater generated by the development of the proposed District will be conveyed to a wastewater treatment facility constructed, maintained, and operated by the City at no cost to the proposed District, pursuant to the Agreement.

Wastewater Collection

The internal wastewater collection system for full development of the proposed District will consist of 43,380 (lf) of 8 to 12-inch diameter gravity lines, five lift stations, and approximately 9,200 lf of 4 to 10-inch diameter force main that discharge into an existing 24-inch City wastewater line.

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Storm Water Drainage

The storm water runoff within the proposed District will be directed through curb inlets to 31,570 lf of 24 to 66-inch diameter reinforced concrete storm sewers. For the 78-acre eastern portion of the proposed District, collected storm water will drain into detention facilities and ultimately through an existing development. The remaining acreage will drain into Lake Conroe through a series of drainage channels and reinforced concrete pipe.

Topography

The proposed District has elevations ranging from 202 to 330 feet above mean sea level. The tract is heavily wooded with rolling terrain, and generally drains westerly toward Lake Conroe.

Floodplain

Federal Emergency Management Agency Flood Insurance Rate Map Panel No. 48339C0359F dated December 19, 1996, indicates that no acreage of the proposed District is inside the 100 year flood plain.

Impact on Natural Resources

The creation of the proposed District is expected to have no unreasonable effect on land elevation, groundwater levels, recharge capability, subsidence, natural runoff rates and drainage, or water quality.

C. SUMMARY OF COSTS
- WATER, WASTEWATER, AND DRAINAGE

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Water distribution system	\$ 1,745,680
2. Wastewater collection	3,390,930
3. Lift stations (4) - internal	650,000
4. Drainage collection facilities	3,319,830
5. Drainage and detention	1,064,040
6. Pollution Prevention Plan	660,000
7. Clearing & grubbing	574,700
8. Contingencies (10% of Item nos. 1-7)	1,140,518
9. Engineering (16% of Item nos. 1-8)	<u>2,007,312</u>
Total Developer Contribution Items	\$ 14,553,010
B. District Items	
1. Lift station - main	\$ 375,000
2. Contingencies (10% of Item no.1)	37,500
3. Engineering (16% of Items nos.1 & 2)	66,000
4. Land costs	
a. Lift station site (0.3 acres x \$30,000/acre)	9,000

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b. Detention site (46.8 acres x \$30,000/acre)	1,404,000
Total District Items	1,891,500
TOTAL CONSTRUCTION COSTS (67.46% of BIR)	\$ 16,444,510
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 731,250
B. Fiscal Agent Fees (2%)	487,500
C. Interest	
1. Capitalized Interest (24 months @ 6%)	2,925,000
2. Developer Interest (24 months @ 6%)	1,973,341
D. Bond Discount (3%)	731,250
E. Creation Costs	75,000
F. Operating Expenses	300,000
G. Bond Issuance Expenses	301,836
H. Bond Application Report Costs	320,000
I. Attorney General Fee (0.1% of BIR)	24,375
J. TCEQ Bond Issuance Fee (0.25%)	60,938
TOTAL NONCONSTRUCTION COSTS	\$ 7,930,490
TOTAL BOND ISSUE REQUIREMENT	\$ 24,375,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding and 30% developer contribution requirements may be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

-ROADWAYS

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Major Roadways	\$ 1,663,377
2. Landscaping thoroughfares and collector streets	220,000
3. Contingencies (10% of Item nos. 1 & 2)	188,338
4. Engineering (16% of Item nos. 1 - 3)	331,474
Total Developer Contribution Items	\$ 2,403,189
B. District Items	
None	
TOTAL CONSTRUCTION COSTS (71.95% of BIR)	\$ 2,403,189
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 100,200
B. Fiscal Agent Fees (2%)	66,800
C. Interest	
1. Capitalized Interest (24 months @ 6%)	400,800
2. Developer Interest (24 months @ 6%)	288,383
D. Operating cost	50,000

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E. Miscellaneous Expenses	30,628
TOTAL NONCONSTRUCTION COSTS	\$ 936,811
TOTAL BOND ISSUE REQUIREMENT	\$ 3,340,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding and 30% developer contribution requirements may be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

- RECREATION

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Amenity park plan	\$ 725,000
2. Contingencies (10% of Item no. 1)	72,500
3. Engineering (15% of Items 1 & 2)	119,625
Total Developer Contribution Items	\$ 917,125
B. District Items	
None	
TOTAL CONSTRUCTION COSTS (70.0% of BIR)	\$ 917,125
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 39,300
B. Fiscal Agent Fees (2%)	26,200
C. Interest	
Capitalized Interest (24 months @ 6%)	157,200
D. Bond Discount (3%)	39,300
E. Bond Issuance Expenses	36,290
F. Operating costs	50,000
G. Bond Application Report Costs	40,000
H. Attorney General Fee (0.10% of BIR)	1,310
I. TCEQ Bond Issuance Fee (0.25%)	3,275
TOTAL NONCONSTRUCTION COSTS	\$ 392,875
TOTAL BOND ISSUE REQUIREMENT	\$ 1,310,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding will be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

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D. ECONOMIC ANALYSIS

Land Use

The land use for the proposed District is projected in the following table:

<u>Development</u>	<u>Acres</u>	<u>ESFCs</u>
Single-Family Residential	219.40	771
Recreation Center	1.80	6
Park, Recreation & Open Space	25.19	0
Lift station	0.30	0
Lake and Water Quality Detention	<u>46.80</u>	<u>0</u>
Total	293.49	777

Market Study

A market study, prepared by MetroStudy, has been submitted in support of the creation of the proposed District, and shows there is a market demand for the District. The market study indicates that the proposed District will contain 771 single-family homes with prices averaging from \$225,000 to \$360,000 on 60 to 80-foot lots, and expected to be absorbed at a rate of 85 to 160 units per year. The proposed District will also contain a recreation center.

Project Financing

The estimated total assessed valuation of the proposed District at completion is as follows:

<u>Single-Family Lot Width</u>	<u># of Units</u>	<u>Average Unit Value</u>	<u>Total Value at Build-out</u>
60 – 80 foot	771 homes	\$ 304,838	\$ 235,030,000
Total			\$ 235,030,000

Considering an estimated bond issue requirement of \$24,375,000 (assuming 100% financing) for utilities, \$3,340,000 (assuming 100% financing) for roads, and \$1,310,000 (assuming 100% financing) for recreational facilities, a coupon bond interest rate of 6.0%, and a 25-year bond life, the average annual debt service requirement for utilities, roads, and recreational facilities would be approximately \$1,906,776, \$261,277 and \$102,477, respectively. Assuming a 95% collection rate and an ultimate taxable assessed valuation of \$235,030,000, a tax rate of about \$0.85 per \$100 AV for utilities, \$0.12 per \$100 AV for roads, and \$0.05 per \$100 AV for recreation facilities, respectively, would be necessary to meet the annual debt service requirements.

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The total year 2007 overlapping tax rates on land within the proposed District are shown in the following table:

<u>Taxing Jurisdiction</u>	<u>Tax per \$100 valuation</u>
Montgomery County	\$ 0.4888
Montgomery County Hospital District	0.0777
North Harris Montgomery County College District	0.1144
Willis ISD	1.3060
City of Conroe	0.4250
Proposed Montgomery County MUD No. 126	<u>1.0200</u> ⁽¹⁾
Total tax per \$100 valuation	\$ 3.4289

Notes: (1) Includes debt service tax rates of \$0.85 for utilities, \$0.12 for roads, and \$0.05 for recreational facilities. No maintenance tax was indicated. The total (proposed District tax; and the City tax for water, wastewater and drainage, road, and recreational facilities – if the City annexes the land) would need to be less than the \$1.50 limit indicated in 30 TAC rules.

Based on the proposed District tax rate and the year 2007 overlapping tax rates on land within the proposed District, the project is considered economically feasible.

Water and Wastewater Rates

According to information provided projected City rates are as follows:

Water:

Base charge (up to 3,000 gallons)	\$8.71
Each 1,000 gallons over 3,000 gallons	\$2.16

Wastewater:

Base charge (up to 3,000 gallons)	\$15.73
Each 1,000 gallons over 3,000 gallons	\$ 1.92

Based on the City rates, the estimated monthly fee for 10,000 gallons of water and wastewater would be approximately \$53.00.

Comparative Water District Tax Rates

A debt tax rate of about \$1.02 for the proposed District is comparable to other districts in the area. Based on the requirements of 30 TAC Section 293.59, this project is economically feasible.

E. SPECIAL CONSIDERATIONS

1. Annexation

As stated above, the proposed District is in the ETJ of the City. The engineering report indicates that the proposed District is in the process of being annexed by the City.

2. Request for Road Powers

The Petitioners request approval for road powers at the same time as the creation of the proposed District. Pursuant to Texas Water Code Section 54.234, approval of road utility district powers may be requested at the same time as creation. The proposed District has submitted a summary of the estimated cost in the engineering report that was submitted with the application. The proposed roads appear to benefit the proposed District, and financing appears feasible.

3. Request for Recreation Plan Approval

The Petitioners request approval of a recreation plan at the same time as the creation of the proposed District. Pursuant to Texas Water Code Section 49.351(g) and 30 TAC Section 293.11(a)(10), approval of a recreation plan may be requested at the same time as creation. The application material includes a detailed summary of the proposed recreational facility projects, projects' estimated costs, and proposed financing methods for the projects. The proposed District plan to construct recreational facility appears reasonable and feasible.

F. CONCLUSIONS

1. Based on Commission policy, compliance with Commission rules, and review of the engineering report and supporting documents, the proposed District is considered feasible, practicable, would be a benefit to the land within the proposed District, and would be necessary as a means to finance utilities and to provide utility service to future customers.
2. Based on a review of the application and supporting documents, the District's acquisition of Road Powers is considered feasible.
3. Based on a review of the preliminary engineering report; the market study; the proposed District's water, wastewater, drainage, road, and recreational facilities; a combined projected tax rate of \$1.02; the proposed District obtaining a 6.0% bond coupon interest rate; and other supporting data, the proposed District is considered feasible under the feasibility limits prescribed by 30 TAC Section 293.59.
4. The recommendations are made under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

November 4, 2008

G. RECOMMENDATIONS

1. Grant the petition for creation of Montgomery County Municipal Utility District No. 126.
2. Grant the District's request to acquire Road Powers in accordance with Texas Water Code Section 54.234 and 30 TAC §§ 293.201 and 293.202, subject to the requirements imposed by the Commission and the general laws of the State of Texas relating to the exercise of such powers.

3. The order granting the petition should include the following statements:

"This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the Commission in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for Commission consideration.

"This Order shall not constitute approval or recognition of the validity of any provision in the City of Conroe creation consent Ordinance No. 1848-08, effective May 22, 2008, and any other ordinance/resolution incorporated therein by reference to the extent that such provisions exceed the authority granted to the City of Conroe by the laws of the State of Texas."

4. Appoint the following to serve as temporary directors until permanent directors are elected and qualified:

Irving A. Wolf
Adam H. Soffar

Gary Calfee
Donald E. Robinowitz

Robert L. Tompkins

H. ADDITIONAL INFORMATION

The petitioners' professional representatives are:

Attorney: Mr. Abraham I. Rubinsky – Schwartz, Page, & Harding LLP
Engineer: Mr. Hasan Syed, P.E. – Edminster, Hinshaw, Russ & Assoc.
Market Analyst: Mr. Toby Ware – Metrostudy



Greg Charles
Districts Review Team

2008-042981

Exhibit C

CERTIFICATE FOR
ORDER CANVASSING RETURNS AND DECLARING
RESULTS OF CONFIRMATION AND DIRECTOR ELECTION
AND BOND AND MAINTENANCE TAX ELECTION

I, the undersigned Secretary of the Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 126 (the "District"), hereby certify as follows:

1. The Board convened in special session, open to the public, on May 14, 2009, at 1300 Post Oak Boulevard, Suite 1400, Houston, Harris County Texas and the roll was called off the members of the Board, to-wit:

Gary Calfee, President
Donald E. Robinowitz, Vice-President
Adam H. Soffar, Secretary
Irving A. Wolf, Assistant Secretary
Robert L. Tompkins, Assistant Secretary

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All of the members of the Board were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

ORDER CANVASSING RETURNS AND DECLARING
RESULTS OF CONFIRMATION AND DIRECTOR ELECTION
AND BOND AND MAINTENANCE TAX ELECTION

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Order be adopted, and, after due discussion, such motion, carrying with it the adoption of such Rules, prevailed and carried by the following vote:

AYES: 5

NOES: 0

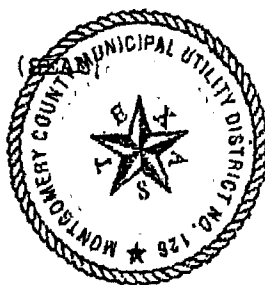
2. A true, full and correct copy of the aforesaid Order adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; such Order has been duly recorded in the Board's minutes of such meeting; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally in advance, of the time, place and purpose of such meeting, and that such Order would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code and Section 49.063, Texas Water Code, as amended.

Return To: KDE
Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd. Ste. 1400
Houston, Texas 77056

AT-MCMUD 126 000231

SIGNED AND SEALED this 14th day of May. 2009


Secretary
Board of Directors



MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126

ORDER CANVASSING RETURNS AND DECLARING
RESULTS OF CONFIRMATION AND DIRECTOR ELECTION
AND BOND AND MAINTENANCE TAX ELECTION

WHEREAS, there was held in Montgomery County Municipal Utility District No. 126, (the "District") on the 9th day of May, 2009, an election for the purpose of electing five (5) permanent directors for the District and for the further purposes of voting on the following propositions

PROPOSITION I

SHALL THE CREATION OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE CONFIRMED?

PROPOSITION II

SHALL THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE AUTHORIZED TO ISSUE THE BONDS OF SAID DISTRICT IN ONE OR MORE ISSUES OR SERIES IN THE MAXIMUM AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF FORTY-ONE MILLION THREE HUNDRED TWENTY THOUSAND DOLLARS (\$41,320,000) MATURING SERIALLY OR OTHERWISE IN SUCH INSTALLMENTS AS ARE FIXED BY SAID BOARD OVER A PERIOD OR PERIODS NOT EXCEEDING FORTY (40) YEARS FROM THEIR DATE OR DATES, BEARING INTEREST AT ANY RATE OR RATES, AND TO SELL SAID BONDS AT ANY PRICE OR PRICES, PROVIDED THAT THE NET EFFECTIVE INTEREST RATE ON ANY ISSUE OR SERIES OF SAID BONDS SHALL NOT EXCEED THE MAXIMUM LEGAL LIMIT IN EFFECT AT THE TIME OF ISSUANCE OF EACH ISSUE OR SERIES OF SAID BONDS, ALL AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS OF SAID DISTRICT FOR THE PURPOSE OR PURPOSES OF PURCHASING, CONSTRUCTING, ACQUIRING, OWNING, OPERATING, REPAIRING, IMPROVING, OR EXTENDING A WATERWORKS SYSTEM, A SANITARY SEWER SYSTEM AND A DRAINAGE AND STORM SEWER SYSTEM, INCLUDING, BUT NOT LIMITED TO, ALL ADDITIONS TO SUCH SYSTEMS AND ALL LAND, IMPROVEMENTS, FACILITIES, PLANTS, EQUIPMENT, APPLIANCES, INTERESTS IN PROPERTY AND REGIONAL, REGULATORY OR JOINT USE PARTICIPATION RIGHTS OR CONTRACT RIGHTS NEEDED THEREFOR, AND ADMINISTRATIVE FACILITIES NEEDED IN CONNECTION THEREWITH, AND TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS BY THE LEVY AND COLLECTION ANNUALLY OF A SUFFICIENT TAX UPON ALL TAXABLE PROPERTY WITHIN SAID DISTRICT. ALL AS AUTHORIZED BY THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS?

PROPOSITION III

SHALL THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE AUTHORIZED TO ISSUE THE BONDS OF SAID DISTRICT IN ONE OR MORE ISSUES OR SERIES IN THE MAXIMUM AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF FOUR MILLION ONE HUNDRED THOUSAND DOLLARS (\$4,100,000) MATURING SERIALLY OR OTHERWISE IN SUCH INSTALLMENTS AS ARE FIXED BY SAID BOARD OVER A PERIOD OR PERIODS NOT EXCEEDING FORTY (40) YEARS FROM THEIR DATE OR DATES, BEARING INTEREST AT ANY RATE OR RATES, AND TO SELL SAID BONDS AT ANY PRICE OR PRICES, PROVIDED THAT THE NET EFFECTIVE INTEREST RATE ON ANY ISSUE OR ISSUES OF SAID BONDS SHALL NOT EXCEED THE MAXIMUM LEGAL LIMIT IN EFFECT AT THE TIME OF ISSUANCE OF EACH ISSUE OF SAID BONDS, ALL AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS OF SAID DISTRICT, FOR THE PURPOSE OR PURPOSES OF PURCHASING, CONSTRUCTING, ACQUIRING, OWNING, OPERATING, REPAIRING, IMPROVING, OR EXTENDING RECREATIONAL FACILITIES, INCLUDING, BUT NOT LIMITED TO, ALL ADDITIONS TO SUCH FACILITIES AND ALL LAND, IMPROVEMENTS, FACILITIES, EQUIPMENT, APPLIANCES, INTERESTS IN PROPERTY AND CONTRACT RIGHTS NEEDED THEREFOR, AND ADMINISTRATIVE FACILITIES NEEDED IN CONNECTION THEREWITH, AND TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS BY THE LEVY AND COLLECTION ANNUALLY OF A SUFFICIENT TAX UPON ALL TAXABLE PROPERTY WITHIN SAID DISTRICT, ALL AS AUTHORIZED BY THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS?

PROPOSITION IV

SHALL THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE AUTHORIZED TO ISSUE THE BONDS OF SAID DISTRICT IN ONE OR MORE ISSUES OR SERIES IN THE MAXIMUM AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF SIX MILLION DOLLARS (\$6,000,000) MATURING SERIALLY OR OTHERWISE IN SUCH INSTALLMENTS AS ARE FIXED BY SAID BOARD OVER A PERIOD OR PERIODS NOT EXCEEDING FORTY (40) YEARS FROM THEIR DATE OR DATES, BEARING INTEREST AT ANY RATE OR RATES, AND TO SELL SAID BONDS AT ANY PRICE OR PRICES PROVIDED THAT THE NET EFFECTIVE INTEREST RATE ON ANY ISSUE OR SERIES OF SAID BONDS SHALL NOT EXCEED THE MAXIMUM LEGAL LIMIT IN EFFECT AT THE TIME OF ISSUANCE OF EACH ISSUE OR SERIES OF SAID BONDS, ALL AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS OF SAID DISTRICT, FOR THE PURPOSE OR PURPOSES OF PURCHASING, CONSTRUCTING, ACQUIRING, OWNING, OPERATING, REPAIRING, IMPROVING, OR EXTENDING ROAD FACILITIES, INCLUDING, BUT NOT LIMITED TO, ALL ADDITIONS TO SUCH FACILITIES, AND ALL LAND, IMPROVEMENTS, FACILITIES, EQUIPMENT, APPLIANCES, INTERESTS IN PROPERTY AND CONTRACT RIGHTS NEEDED THEREFOR, AND ADMINISTRATIVE FACILITIES NEEDED IN CONNECTION THEREWITH, EXCEPT AS LIMITED BY APPLICABLE GENERAL, SPECIAL OR LOCAL LAWS, OR THE RULES, REGULATIONS OR ORDINANCES OF ANY APPLICABLE CITY, COUNTY OR AGENCY WITH JURISDICTION, AND TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS BY THE LEVY AND COLLECTION ANNUALLY OF A SUFFICIENT TAX UPON ALL TAXABLE PROPERTY WITHIN SAID DISTRICT, ALL AS AUTHORIZED BY THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS?

PROPOSITION V

SHALL THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE AUTHORIZED TO ISSUE THE BONDS OF SAID DISTRICT IN ONE OR MORE ISSUES OR SERIES IN THE MAXIMUM AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF FIFTY-ONE MILLION FOUR HUNDRED TWENTY THOUSAND DOLLARS (\$51,420,000) MATURING SERIALLY OR OTHERWISE IN SUCH INSTALLMENTS AS ARE FIXED BY SAID BOARD OVER A PERIOD OR PERIODS NOT EXCEEDING FORTY (40) YEARS FROM THEIR DATE OR DATES, BEARING INTEREST AT ANY RATE OR RATES, AND TO SELL SAID BONDS AT ANY PRICE OR PRICES, PROVIDED THAT THE NET EFFECTIVE INTEREST RATE ON ANY ISSUE OR SERIES OF SAID BONDS SHALL NOT EXCEED THE MAXIMUM LEGAL LIMIT IN EFFECT AT THE TIME OF ISSUANCE OF EACH ISSUE OR SERIES OF SAID BONDS, ALL AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS OF SAID DISTRICT, FOR THE PURPOSE OF REFUNDING BY ANY MEANS NOW OR HEREAFTER AUTHORIZED BY LAW, ALL OR ANY PORTION OF ANY BONDS OR REFUNDING BONDS OF THE DISTRICT PAYABLE IN WHOLE OR IN PART FROM TAXES, WHETHER ON EVEN DATE HERewith, HEREUNDER, OR HEREAFTER AUTHORIZED OR ISSUED BY THE DISTRICT, AND TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON SUCH REFUNDING BONDS BY THE LEVY AND COLLECTION OF A SUFFICIENT TAX UPON ALL TAXABLE PROPERTY WITHIN SAID DISTRICT, ALL AS AUTHORIZED BY THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS?

PROPOSITION VI

SHALL THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE AUTHORIZED TO ASSESS, LEVY AND COLLECT AN ANNUAL MAINTENANCE TAX NOT TO EXCEED ONE DOLLAR AND FIFTY CENTS (\$.50) ON EACH \$100 VALUATION OF ALL TAXABLE PROPERTY WITHIN SAID DISTRICT TO SECURE FUNDS FOR MAINTENANCE AND OTHER AUTHORIZED PURPOSES, INCLUDING, BUT NOT LIMITED TO, FUNDS FOR PLANNING, CONSTRUCTING, ACQUIRING, MAINTAINING, REPAIRING AND OPERATING ALL NECESSARY LAND, PLANTS, FACILITIES, IMPROVEMENTS, APPLIANCES AND EQUIPMENT OF SUCH DISTRICT, AND FOR THE PAYMENT OF PROPER SERVICES, ENGINEERING AND LEGAL FEES, AND ORGANIZATION AND ADMINISTRATIVE EXPENSES IN ACCORDANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS?

PROPOSITION VII

SHALL THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 BE AUTHORIZED TO ASSESS, LEVY AND COLLECT AN ANNUAL MAINTENANCE TAX NOT TO EXCEED TEN CENTS (\$.10) ON EACH \$100 VALUATION OF ALL TAXABLE PROPERTY WITHIN SAID DISTRICT TO SECURE FUNDS FOR MAINTENANCE AND OTHER AUTHORIZED PURPOSES RELATED TO RECREATIONAL FACILITIES, INCLUDING, BUT NOT LIMITED TO, FUNDS FOR PLANNING, CONSTRUCTING, ACQUIRING, MAINTAINING, REPAIRING AND OPERATING ALL NECESSARY LAND, FACILITIES, IMPROVEMENTS, APPLIANCES AND EQUIPMENT OF SUCH RECREATIONAL FACILITIES, AND FOR THE PAYMENT

OF PROPER SERVICES, ENGINEERING AND LEGAL FEES, AND ADMINISTRATIVE EXPENSES IN ACCORDANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF TEXAS?

WHEREAS, the returns of said elections have been certified to this Board of Directors by the appropriate election officials; and

WHEREAS, the official election returns show that the duly qualified voters of the District cast two (2) ballots at said elections, and the votes cast for each of the propositions were as follows

PROPOSITION NO. I

FOR		2 votes
	DISTRICT	
AGAINST		0 votes

PROPOSITION NO. II

FOR		2 votes
	THE ISSUANCE OF WATER, SANITARY SEWER AND DRAINAGE FACILITIES BONDS AND THE LEVY OF TAXES IN PAYMENT OF THE BONDS	
AGAINST		0 votes

PROPOSITION NO. III

FOR		2 votes
	THE ISSUANCE OF RECREATIONAL FACILITIES BONDS AND THE LEVY OF OF TAXES IN PAYMENT OF THE BONDS	
AGAINST		0 votes

PROPOSITION NO. IV

FOR	THE ISSUANCE OF ROAD FACILITIES BONDS AND THE LEVY OF TAXES IN PAYMENT OF THE BONDS	2 votes
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AGAINST		0 votes
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PROPOSITION NO. V

FOR	THE ISSUANCE OF REFUNDING BONDS AND THE LEVY OF TAXES IN PAYMENT OF THE BONDS	2 votes
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AGAINST		0 votes
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PROPOSITION NO. VI

FOR	MAINTENANCE TAX	2 votes
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AGAINST		0 votes
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PROPOSITION NO. VII

FOR	MAINTENANCE TAX FOR RECREATIONAL FACILITIES	2 votes
-----	--	---------

AGAINST		0 votes
---------	--	---------

and

WHEREAS, said official election returns further show that the votes cast for permanent directors at such elections were as follows:

Gary Calfee	2 votes
Donald E. Robinowitz	2 votes
Adam H. Soffar	2 votes
Irving A. Wolf	2 votes
Robert L. Tompkins	2 votes

and

WHEREAS, the above totals are shown in the official election returns heretofore submitted to the Board of Directors and filed with the President and Secretary of the Board of Directors, and

WHEREAS, such elections were called and held in all respects under and in strict conformity with the Constitution and laws of the State of Texas and the United States of America, and

WHEREAS, a canvass of the returns of said elections at this meeting of the Board of Directors is as soon as reasonably practical after such elections Now, Therefore

BE IT ORDERED BY THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126

Section 1: The matters and facts recited in the above preamble of this Order are found to be true and correct

Section 2. The elections held within and for the District on the 9th day of May, 2009 which are more fully described in the preamble to this Order, were called and notice was given thereof under the hand of the President and Secretary of the Board of Directors of the District in accordance with law; that the elections were held in all respects in conformity with law; and that returns of the elections have been lawfully made by the proper officer.

Section 3. The elections have resulted in a majority vote for the District, and it is hereby found, determined and declared that Montgomery County Municipal Utility District No. 126 is duly and lawfully created in Montgomery County, Texas, with boundaries as described by metes and bounds in Exhibit "A" hereto, which is hereby incorporated herein for all purposes

Section 4. In addition, said elections have resulted in the election of five (5) permanent directors for the District Pursuant to Section 49.102 of the Texas Water Code the directors

who were elected have agreed that they shall designate their respective initial terms of office as follows: Irving A. Wolf and Robert L. Tompkins, shall serve for a term ending after the annual directors election to be held on the first Saturday in May, 2010, and Gary Calfee, Donald E. Robinowitz and Adam H. Soffar shall serve for a term ending after the annual directors election to be held the first Saturday in May, 2012.

Section 5. The elections have further resulted favorably toward the issuance of the bonds described in Proposition II submitted at the elections, and, pursuant to applicable law, such bonds may be issued in various series or issues, with or without interest coupons, in any denomination, payable at such time or times, in such amount or amounts or installments, at such place or places, in such form, under such terms, conditions, and details, in such manner, redeemable prior to maturity at any time or times, bearing no interest, or bearing interest at any rate or rates (either fixed, variable, floating, adjustable, or otherwise) all as determined by the Board of Directors. The Board of Directors is now authorized to issue \$41,320,000 in water, sanitary sewer and drainage facilities bonds of the District, as described in said Proposition II, upon the terms and conditions described therein and herein and to do any and all things necessary and convenient in connection therewith and, to ensure the continuing and orderly development of the District on terms and conditions which are feasible and practical, the District anticipates that said bonds will be issued in multiple series or issues over an extended period

of time all as determined by the Board of Directors to be feasible and practical and in the best interests of the District

Section 6. The elections have further resulted favorably toward the issuance of the bonds described in Proposition III submitted at the elections, and, pursuant to applicable law, such bonds may be issued in various series or issues with or without interest coupons, in any denomination, payable at such time or times, in such amount or amounts or installments, at such place or places, in such form, under such terms, conditions, and details, in such manner, redeemable prior to maturity at any time or times, bearing no interest, or bearing interest at any rate or rates (either fixed, variable, floating, adjustable, or otherwise), all as determined by the Board of Directors. The Board of Directors is now authorized to issue \$4,100,000 in recreational facilities bonds of the District, as described in said Proposition III, upon the terms and conditions described therein and herein and to do any and all things necessary and convenient in connection therewith and, to ensure the continuing and orderly development of the District on terms and conditions which are feasible and practical, the District anticipates that said bonds will be issued in multiple series or issues over an extended period of time all as determined by the Board of Directors to be feasible and practical and in the best interests of the District.

Section 7. The elections have further resulted favorably toward the issuance of the bonds described in Proposition IV submitted at the elections, and, pursuant to applicable law, such bonds may be issued in various series or issues, with or without

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interest coupons, in any denomination, payable at such time or times, in such amount or amounts or installments, at such place or places, in such form, under such terms, conditions, and details, in such manner, redeemable prior to maturity at any time or times, bearing no interest, or bearing interest at any rate or rates (either fixed, variable, floating, adjustable, or otherwise) all as determined by the Board of Directors. The Board of Directors is now authorized to issue \$6,000,000 in road facilities bonds of the District, as described in said Proposition IV, upon the terms and conditions described therein and herein and to do any and all things necessary and convenient in connection therewith and, to ensure the continuing and orderly development of the District on terms and conditions which are feasible and practical, the District anticipates that said bonds will be issued in multiple series or issues over an extended period of time all as determined by the Board of Directors to be feasible and practical and in the best interests of the District.

Section 8. The elections have also resulted favorably toward the issuance of the refunding bonds described in Proposition V submitted at the elections, and the Board of Directors is now authorized to issue \$51,420,000 in refunding bonds of the District, as described in said Proposition V, upon the terms and conditions described therein and to do any and all things necessary and convenient in connection therewith and the District anticipates that said bonds will be issued in multiple series or issues over an extended period of time all as determined by the Board of Directors

to be feasible and practical and in the best interests of the District

Section 9. The elections have also resulted favorably toward the levy and collection of a maintenance tax, as described in Proposition VI submitted at the elections, and the Board of Directors is now authorized to levy and collect an annual maintenance tax not to exceed One Dollar and Fifty Cents (\$1.50) of each \$100 valuation of all taxable property within said District, upon the terms and conditions and for the purposes stated in said Proposition VI.

Section 10. The elections have also resulted favorably toward the levy and collection of a maintenance tax specifically for recreational facilities, as described in Proposition VII submitted at the elections, and the Board of Directors is now authorized to levy and collect an annual maintenance tax specifically for recreational facilities not to exceed Ten Cents (\$0.10) of each \$100 valuation of all taxable property within said District, upon the terms and conditions and for the purposes stated in said Proposition VII.

Section 11. It is hereby found, determined and declared that the meeting at which this Order is adopted is open to the public as required by law, and that public notice of the time, date, place and subject matter of this meeting and of the proposed adoption of this Order was given, furnished and posted as required by law.

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Section 12. A certified copy of this Order shall be promptly filed with the Texas Commission on Environmental Quality and in the Official Records of Real Property of Montgomery County Texas.

PASSED AND APPROVED this 14th day of May, 2009

/s/ Gary Calfee
President, Board of Directors

ATTEST:

/s/ Adam H. Soffar
Secretary Board of Directors

(SEAL)

Exhibit A

METES AND BOUNDS DESCRIPTION
293.49 ACRES IN THE
JAMES EDWARDS SURVEY, ABSTRACT NO. 190 AND THE
ELIJAH COLLARD SURVEY, ABSTRACT NO. 7
MONTGOMERY COUNTY, TEXAS

A 293.49-ACRE TRACT OF LAND SITUATED IN THE JAMES EDWARDS SURVEY, ABSTRACT NO. 190, AND THE ELIJAH COLLARD SURVEY, ABSTRACT NO. 7, MONTGOMERY COUNTY, TEXAS, BEING A PORTION OF THAT CALLED 173.1768-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112579, ALL OF THAT CALLED 23.43-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006191070, ALL OF THAT CALLED 37.564-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY SPECIAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006082871, ALL OF THAT CALLED 33.851-ACRE TRACT CONVEYED TO HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007008290, AND ALL OF THAT CALLED 23.419-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112576 ALL OF THE OFFICIAL PUBLIC RECORDS OF REAL PROPERTY, SAID 293.49-ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS WITH ALL BEARINGS BASED ON THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE, AS DETERMINED BY GPS MEASUREMENTS:

BEGINNING at a 3/8-inch iron rod found on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet 1, Sheets 161 thru 163 of the Montgomery County Map Records;

- (1) THENCE North 12°45'59" East, along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet 1, Sheets 59 thru 63 of the Montgomery County Map Records, and continuing in all 1253.98 feet to a 3/8-inch iron rod found for the northeast corner of said Longmire on Lake Conroe Section 3;
- (2) THENCE North 77°12'16" West, 1816.53 feet, along the north line of said Longmire on Lake Conroe Section 3, to a 3/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for an interior corner of said Longmire on Lake Conroe Section 3;
- (3) THENCE North 11°58'28" East, 565.74 feet, along an interior line of said Longmire on Lake Conroe Section 3, to a 3/8-inch iron rod found for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, being on the 201-foot contour line;

THENCE along the 201-foot contour line, the following fifty (50) courses and distances:

- (4) South 87°23'39" East, 33.75 feet to a point;
- (5) North 60°22'00" East, 14.06 feet to a point;
- (6) South 88°53'51" East, 14.40 feet to a point;
- (7) South 44°41'08" East, 14.73 feet to a point;
- (8) South 25°42'16" East, 23.63 feet to a point;
- (9) South 21°31'26" East, 48.80 feet to a point;
- (10) South 24°18'55" East, 36.83 feet to a point;

293.49 Acres
James Edwards Survey, A-190
Elijah Collard Survey, A-7
Page 1 of 1

- (11) South 23°02'23" East, 43.48 feet to a point;
- (12) South 32°41'37" East, 41.56 feet to a point;
- (13) South 39°04'34" East, 23.02 feet to a point;
- (14) South 43°05'41" East, 23.55 feet to a point;
- (15) South 89°57'44" East, 22.50 feet to a point;
- (16) North 62°41'04" East, 21.03 feet to a point;
- (17) North 32°09'28" East, 44.39 feet to a point;
- (18) North 10°10'15" West, 36.41 feet to a point;
- (19) North 09°26'25" West, 45.54 feet to a point;
- (20) North 15°23'27" East, 43.59 feet to a point;
- (21) North 11°14'01" East, 48.40 feet to a point;
- (22) North 13°00'46" East, 21.26 feet to a point;
- (23) North 10°49'35" East, 30.79 feet to a point;
- (24) North 32°19'05" East, 12.24 feet to a point;
- (25) North 58°33'18" East, 11.79 feet to a point;
- (26) South 80°41'18" East, 36.94 feet to a point;
- (27) South 63°13'35" East, 31.75 feet to a point;
- (28) South 56°59'25" East, 57.54 feet to a point;
- (29) South 59°37'32" East, 54.26 feet to a point;
- (30) South 59°24'03" East, 33.57 feet to a point;
- (31) South 57°44'53" East, 37.89 feet to a point;
- (32) South 58°14'18" East, 33.57 feet to a point;
- (33) South 59°55'00" East, 46.09 feet to a point;
- (34) South 30°39'40" East, 31.83 feet to a point;
- (35) South 81°19'12" East, 21.88 feet to a point;
- (36) North 34°51'06" East, 20.55 feet to a point;
- (37) North 13°39'43" East, 23.19 feet to a point;
- (38) North 27°35'55" West, 25.09 feet to a point;
- (39) North 45°59'51" West, 31.29 feet to a point;
- (40) North 38°24'53" West, 41.42 feet to a point;
- (41) North 48°11'04" West, 42.03 feet to a point;
- (42) North 52°44'02" West, 37.78 feet to a point;

287.48 Acres
 Town of Browns Survey, A-190
 Elsie Colvard Survey, A-7
 Page 2 of 2

- (43) North 47°31'18" West, 36.54 feet to a point;
- (44) North 51°00'12" West, 68.46 feet to a point;
- (45) North 54°27'30" West, 53.57 feet to a point;
- (46) North 50°14'59" West, 43.08 feet to a point;
- (47) North 50°50'53" West, 62.18 feet to a point;
- (48) North 45°44'33" West, 53.82 feet to a point;
- (49) North 17°44'30" West, 55.91 feet to a point;
- (50) North 04°00'03" West, 43.57 feet to a point;
- (51) North 16°15'40" West, 51.84 feet to a point;
- (52) North 15°27'23" West, 69.20 feet to a point;
- (53) North 09°53'22" East, 38.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
- (54) THENCE South 51°28'22" East, at 10.00 feet passing a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for reference, and continuing in all 849.61 feet to a 5/8-inch iron rod found for the southeast corner of said Pebble Glen on the Lake;
- (55) THENCE North 11°49'44" East, along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- THENCE along the 201-foot contour line, the following twenty-one (21) courses and distances:
- (56) South 87°34'31" East, 44.31 feet to a point;
- (57) North 85°18'39" East, 103.76 feet to a point;
- (58) South 87°41'11" East, 41.82 feet to a point;
- (59) South 89°57'21" East, 52.34 feet to a point;
- (60) South 83°58'25" East, 51.16 feet to a point;
- (61) South 87°20'06" East, 50.00 feet to a point;
- (62) North 85°40'28" East, 43.06 feet to a point;
- (63) North 89°02'07" East, 48.48 feet to a point;
- (64) South 89°59'11" East, 15.57 feet to a point;
- (65) North 67°32'38" East, 22.64 feet to a point;
- (66) North 02°29'35" East, 28.08 feet to a point;
- (67) North 00°13'32" East, 29.04 feet to a point;
- (68) North 67°39'40" West, 30.47 feet to a point;
- (69) North 74°43'23" West, 56.36 feet to a point;
- (70) North 75°25'23" West, 45.28 feet to a point;
- (71) South 86°37'31" West, 74.43 feet to a point;

219.48 Acres
James Alexander Survey, A-180
Elgin Colford Survey, A-7
Page 3 of 5

- (72) North 65°28'00" West, 40.10 feet to a point;
- (73) North 84°38'33" West, 45.92 feet to a point;
- (74) North 86°09'04" West, 58.74 feet to a point;
- (75) North 79°31'57" West, 49.92 feet to a point;
- (76) South 68°16'23" West, 53.48 feet to a point on the east line of Calfee Road (60-foot right-of-way) recorded in Volume 532, Page 291 and Volume 640, Page 139, both of the Montgomery County Deed Records;
- (77) THENCE North 11°11'22" East, 229.43 feet along the east line of said Calfee Road to a 1/2-inch iron rod found, being the southwest corner of the aforementioned 23.419-acre tract;
- THENCE in a northerly direction along the common line of said Calfee Road and said 23.419-acre tract, the following three (3) courses and distances:
- (78) North 21°10'57" East, 89.92 feet to a PK Nail found;
- (79) North 51°27'01" East, 105.82 feet to a 5/8-inch iron rod found;
- (80) North 12°47'09" East, 328.16 feet to a point on the southwest corner of League Line Road (60-foot-right-of-way) recorded in Volume 825, Page 102 and Volume 1049, Page 371, both of the Montgomery County Deed Records from which a 1/2-inch iron rod with cap stamped "Jeff Moon RPLS 4339" found for the most westerly northwest corner of said 23.839-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears North 12°47'09" East, 133.02 feet;
- (81) THENCE South 78°38'07" East, at 98.25 feet passing a PK Nail found for the corner of said 23.839-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-inch iron rod found;
- (82) THENCE South 77°18'32" East, 880.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-inch iron rod found, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 8509572 of the Official Public Records of Real Property;
- (83) THENCE South 12°09'43" West, along the common line of said remainder tract and said 23.419-acre tract, at 484.50 feet passing a 5/8-inch iron rod found, and continuing in all 485.18 feet to a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set on the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 458, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;
- (84) THENCE South 77°02'20" East, 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap found on the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 89.78-acre tract recorded under Montgomery County Clerk's File No. 9881554 of the Official Public Records of Real Property;
- (85) THENCE South 12°12'48" West, along the common line of said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, and Longmire Way, said 89.78-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564-acre tract, at 428.83 feet passing a 1/2-inch iron found for the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2-inch iron rod found for the common east corner of said 33.861-acre tract and said 37.564-acre tract, and continuing in all 1791.25 feet to a PK Nail found for the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;


- AT-MCMUD 126 000248

Exhibit D

ASSIGNMENT OF UTILITY SERVICES AND DEVELOPMENT AGREEMENT BETWEEN
THE CITY OF CONROE, TEXAS,
DAVID B. HENDRICKS AND HOUSTON INTERCONTINENTAL
TRADE CENTER, L.P.
(ON BEHALF OF PROPOSED MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 126)

1. DAVID B. HENDRICKS and HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. a Texas limited partnership (collectively, the "Assignors") hereby assign unto MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 ("Assignee") their rights, benefits and obligations in and to that certain Utility Services and Development Agreement between the City of Conroe, Texas, and the Assignors, dated March 13, 2008, (the "Utility Services Agreement")
2. This Assignment is subject to all terms and provisions of the Utility Services Agreement and is authorized by Section 9.06 of said Utility Services Agreement.
3. By its execution of this Assignment, Assignee accepts the terms and conditions of the Utility Services Agreement and agrees to assume Assignors' covenants, duties and obligations under the Utility Services Agreement and Assignors are hereby released from their obligations under the Utility Services Agreement.

WITNESS THE EXECUTION HEREOF in multiple originals, this the 30th day of March, 2011.



DAVID B. HENDRICKS

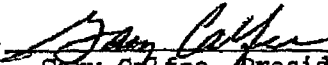
HOUSTON INTERCONTINENTAL TRADE CENTER,
L.P. a Texas limited partnership

By: REVISTA, Inc. a Texas corporation
and its General Partner



By: Michael P. Barsi
President

MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 126

By: 
Gary Calfee, President
Board of Directors

245835-1

AT-MCMUD 126 000250

EXHIBIT C

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Montgomery County MUD No. 126
FYE 2017 Proposed Budget

	11 Months Aug - June 16	12 Months Annualized	FYE 2016 Adopted Budget	FYE 2017 Proposed Budget
Income:				
14001 · Developer Advance · D R Horton	\$ 193,000	193,000	0	\$ 22,880
14110 · Water · Customer Service Revenue	96,880	105,688	43,699	116,000
14112 · Surface Water Revenue	31,475	36,475	18,386	60,000
14125 · Lone Star Fee	474	574	553	1,200
14140 · Connection Fees	1,625	1,773	0	2,000
14150 · Tap Connections	72,020	72,020	65,700	72,000
14210 · Sewer · Customer Service Revenue	46,006	50,189	47,952	55,000
14220 · Inspection Fees	9,600	9,600	38,880	9,500
14310 · Penalties & Interest	7,820	8,531	3,318	9,000
14330 · Miscellaneous Income	557	557	0	1,000
14350 · Maintenance Tax Collections	111,500	111,500	135,000	110,000
14360 · Greas · Trap	400	500	0	1,200
14390 · Interest Earned on Checking	61	67	50	75
Total Income	\$ 571,419	\$ 590,473	\$ 353,538	\$ 459,855
Expense				
16005 · Operations · Water	\$ 12,303	13,421	20,000	\$ 6,000
16050 · Administrative Fees	1,757	2,057	0	3,600
16110 · Tap Connection Expense	26,146	26,146	38,400	30,000
16115 · Lonestar Ground Water Fee	1,158	1,264	238	1,200
16120 · Surface Water Fee	55,024	60,026	18,386	60,000
16125 · Purchased Water Fee	59,763	65,196	22,118	75,000
16130 · Maintenance & Repairs · Water	8,136	10,636	4,000	16,000
16131 · Water Distribution Repairs	1,920	1,920	0	6,000
16150 · Laboratory Expense · Water	3,141	3,641	0	4,000
16180 · Reconections	390	490	0	650
16210 · Inspection Expense	5,370	5,370	9,600	16,000
16220 · Purchase Sewer Servic : from City	46,084	50,274	23,501	50,000
16230 · Maintenance & Repairs · Sewer	0	0	5,000	6,000
16312 · Meter Replacement	0	0	3,000	0
16330 · Legal Fees	147,531	160,943	75,000	75,000
16340 · Auditing Fees	6,500	6,500	5,000	6,500
16350 · Engineering Fees	14,428	15,739	18,000	18,000
16380 · Permit Expense	0	0	0	1,000
16420 · Service Account Collection	1,000	1,300	600	3,600
16430 · Bookkeeping Fees	19,223	20,970	10,000	22,000
16450 · Legal Notices & Other Publications	123	123	250	200
16460 · Printing & Office Supplies	3,153	3,440	2,000	4,000
16470 · Filing Fees	358	391	700	375
16480 · Delivery Expense	1,069	1,166	1,000	1,200
16520 · Postage	427	517	120	1,080
16530 · Insurance & Surety Bond	2,177	2,177	4,000	2,500
16540 · Travel Expense	525	700	70	750
16560 · Miscellaneous Expense	2,007	2,189	2,500	2,200
16565 · Aqua's CCN Expense	2,910	6,984	0	7,000
16600 · Payroll Expense	7,266	8,074	8,000	10,000
17000 · Capital Outlay	3,763	3,763	30,000	30,000
Total Expense	433,652	471,655	301,483	459,855
Net Income	\$ 137,766	\$ 118,818	\$ 52,055	\$

EXHIBIT D

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2015

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal Utility District No. 126
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 126 (the "District"), as of and for the year ended July 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

AT-MCMUD 126 000260

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Board of Directors
Montgomery County Municipal
Utility District No. 126

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 10, 2015

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 126's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2015.

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 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 portion of these statements provides 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 first of the government-wide statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of 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.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

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 accounts for resources not accounted for in another fund, maintenance tax revenues, operating costs and general expenditures.

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 current period. 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"). A budgetary comparison schedule is included as RSI for the General Fund.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

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 \$428,158 as of July 31, 2015.

The following table provides a summary of the Statement of Net Position as of July 31, 2015:

	<u>Summary of the Statement of Net Position</u>
	<u>2015</u>
Current and Other Assets	\$ 37,141
Capital Assets (Net of Accumulated Depreciation)	<u>2,537,066</u>
Total Assets	<u>\$ 2,574,207</u>
Due to Developer	\$ 2,942,737
Other Liabilities	<u>59,628</u>
Total Liabilities	<u>\$ 3,002,365</u>
Net Position:	
Net Investment in Capital Assets	\$ (1,171)
Unrestricted	<u>(426,987)</u>
Total Net Position	<u>\$ (428,158)</u>

The following table provides a summary of the District's operations for the year ended July 31, 2015. The District's net position decreased by \$89,079.

	<u>Summary of the Statement of Activities</u>
	<u>2015</u>
Revenues:	
Property Taxes	\$ 22,157
Charges for Services	162,454
Other Revenues	<u>474</u>
Total Revenues	<u>\$ 185,085</u>
Expenses for Services	<u>274,164</u>
Change in Net Position	\$ (89,079)
Net Position, Beginning of Year	<u>(339,079)</u>
Net Position, End of Year	<u>\$ (428,158)</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The General Fund fund balance as of July 31, 2015, was a deficit of \$22,487, a decrease of \$7,908 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year. Actual revenues were \$54,167 more than budgeted revenues primarily due to higher than anticipated water service and tap fee revenues than were anticipated. Actual expenditures were \$77,201 more than budgeted expenditures primarily due to higher than anticipated professional fees, contracted services, purchased water/water authority fees and capital costs.

CAPITAL ASSETS

Capital assets as of July 31, 2015, total \$2,537,066 (net of accumulated depreciation) and include water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year included engineering and construction costs for water, wastewater and drainage facilities for Water Crest, Sections 1, 2 and 3, Water Crest Parkway and Water Crest sanitary sewer extension.

Capital Assets At Year-End, Net of Accumulated Depreciation

	<u>2015</u>
Capital Assets, Net of Accumulated Depreciation:	
Water System	\$ 576,144
Wastewater System	665,141
Drainage System	<u>1,295,781</u>
Total Net Capital Assets	<u>\$ 2,537,066</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015**

LONG-TERM DEBT ACTIVITY

As of the end of the current fiscal year, the District did not have any long-term debt with the exception of amounts due to the developer. See Note 8.

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. 126, c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JULY 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 29,091	\$	\$ 29,091
Receivables:			
Service Accounts	8,050		8,050
Capital Assets (Net of Accumulated Depreciation)		<u>2,537,066</u>	<u>2,537,066</u>
TOTAL ASSETS	<u>\$ 37,141</u>	<u>\$ 2,537,066</u>	<u>\$ 2,574,207</u>
LIABILITIES			
Accounts Payable	\$ 43,128	\$	\$ 43,128
Unearned Tap Revenue	15,300		15,300
Due to Developers		2,942,737	2,942,737
Security Deposits	<u>1,200</u>		<u>1,200</u>
TOTAL LIABILITIES	<u>\$ 59,628</u>	<u>\$ 2,942,737</u>	<u>\$ 3,002,365</u>
FUND BALANCE (DEFICIT)			
Unassigned	<u>\$ (22,487)</u>	<u>\$ 22,487</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 37,141</u>		
NET POSITION			
Net Investment in Capital Assets		\$ (1,171)	\$ (1,171)
Unrestricted		<u>(426,987)</u>	<u>(426,987)</u>
TOTAL NET POSITION		<u>\$ (428,158)</u>	<u>\$ (428,158)</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2015

Total Fund Balance - Governmental Fund	\$	(22,487)
--	----	----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,537,066
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer		<u>(2,942,737)</u>
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Total Net Position - Governmental Activities	\$	<u>(428,158)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2015

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 22,157	\$	\$ 22,157
Water Service	29,656		29,656
Wastewater Service	12,180		12,180
Regional Water Authority Fees	404		404
Penalty and Interest	1,112		1,112
Tap Connection and Inspection Fees	119,102		119,102
Miscellaneous Revenues	474		474
TOTAL REVENUES	\$ 185,085	\$ 0	\$ 185,085
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 111,627	\$	\$ 111,627
Contracted Services	37,356		37,356
Purchased Water Service/Water Authority Fees	32,240		32,240
Repairs and Maintenance	8,355		8,355
Depreciation		29,386	29,386
Other	55,200		55,200
Capital Outlay	28,215	(28,215)	
TOTAL EXPENDITURES/EXPENSES	\$ 272,993	\$ 1,171	\$ 274,164
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (87,908)	\$ (1,171)	\$ (89,079)
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ 80,000	\$ (80,000)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ (7,908)	\$ 7,908	\$
CHANGE IN NET POSITION		(89,079)	(89,079)
FUND BALANCE (DEFICIT)/NET POSITION AUGUST 1, 2014	(14,579)	(324,500)	(339,079)
FUND BALANCE (DEFICIT)/NET POSITION JULY 31, 2015	\$ (22,487)	\$ (405,671)	\$ (428,158)

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2015**

Net Change in Fund Balance Governmental Fund	\$	(7,908)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(29,386)
--	--	----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		28,215
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(80,000)
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Change in Net Position Governmental Activities	\$	<u>(89,079)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 126 of Montgomery County, Texas (the 'District') was created on November 20, 2008, by an Order of the Texas Commission on Environmental Quality (the 'Commission'). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on February 20, 2009.

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 or not 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 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 as follows:

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

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 is 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.

Fund Financial Statements

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund To account for resources not required to be accounted for in another fund, maintenance tax revenues, operating costs and general expenditures.

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 revenues reported in the governmental funds to be available if they are collectable within sixty 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 the taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonable expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Storm Drainage System	10-45
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

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

Measurement Focus

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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.

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 3. LONG-TERM DEBT

As of July 31, 2015, the District has authorized and unissued bonds in the amount of \$41,320,000 for water, wastewater and drainage facilities, authorized and unissued bonds in the amount of \$4,100,000 for recreational facilities, authorized and unissued bonds in the amount of \$6,000,000 for roads, and authorized and unissued refunding bonds in the amount of \$51,420,000.

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 \$29,091 and the bank balance was \$29,230. All of the bank balance was covered by federal depository insurance. The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at July 31, 2015, as listed below:

	<u>Cash</u>
DEPOSITS GENERAL FUND	<u>\$ 29,091</u>

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of July 31, 2015, the District had no investments.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2015:

	August 1, 2014	Increases	Decreases	July 31, 2015
Capital Assets Subject to Depreciation				
Water System	\$	\$ 583,663	\$	\$ 583,663
Wastewater System		672,361		672,361
Drainage System		1,310,428		1,310,428
Total Capital Assets Subject to Depreciation	\$ 0	\$ 2,566,452	\$ 0	\$ 2,566,452
Accumulated Depreciation				
Water System	\$	\$ 7,519	\$	\$ 7,519
Wastewater System		7,220		7,220
Drainage System		14,647		14,647
Total Accumulated Depreciation	\$ 0	\$ 29,386	\$ 0	\$ 29,386
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 0	\$ 2,537,066	\$ 0	\$ 2,537,066

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 6. MAINTENANCE TAX

On May 9, 2009, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended July 31, 2015, the District levied an ad valorem maintenance tax rate of \$0.90 per \$100 of assessed valuation, which resulted in a tax levy of \$22,157 on the adjusted taxable valuation of \$2,461,900 for the 2014 tax year.

On May 9, 2009, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District to be used by the General Fund to pay expenditures for maintenance and other authorized purposes related to recreational facilities. As of the end of the current fiscal year, the District has not yet levied this particular tax.

Levy Date	October 1, or as soon thereafter as practicable.
Lien Date	January 1.
Due Date	Not later than January 31.
Delinquent Date	February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 7. UTILITY SERVICES AND DEVELOPMENT AGREEMENT

On March 13, 2008, and as supplemented on November 8, 2012, the District entered into the Utility Services and Development Agreement with the City of Conroe (the "City"). Pursuant to this agreement, the City agreed to consent to the creation of the District within its city limits. The District is responsible for acquiring and constructing the water distribution, wastewater collection and drainage facilities (the "facilities") to serve development within the District.

The agreement provides that the facilities shall be designed and constructed in accordance with the City's requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge.

In accordance with the agreement, the City is to provide water supply and wastewater services to the District at rates established by the City for general application to commercial customers of the City.

In accordance with the agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the facilities. Prior to issuing any bonds, the District must provide the City with a copy of the Commission order authorizing the issuance of the bonds and such order must provide that under the Commission rules governing the issuance

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 7. UTILITY SERVICES AND DEVELOPMENT AGREEMENT *(Continued)*

of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$0.90 per \$100 of assessed valuation. The agreement provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The agreement provides that the City will pay an annual rebate to the District. The annual rebate is equal to the total assessed value in the District for the given year multiplied by the portion of the City's tax rate that is attributable to water, sewer and drainage facilities. This annual rebate is to be deposited into the District's Debt Service Fund.

The term of the agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the agreement. Under the terms of the agreement, the City agrees that it will not dissolve the District until 90% of the District's facilities have been developed and the Developers have been reimbursed for advancing funds to construct the facilities to the maximum extent permitted by the rules of the Commission or the City assumes any obligations for such payment by the District under such rules.

NOTE 8. UNREIMBURSED DEVELOPER COSTS

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$2,538,237 has been recorded as a liability for facilities financed by Developers. Reimbursement to the Developers will come from future bond sales.

A Developer has also advanced money to the District's General Fund in order for the District to meet its ongoing financial obligations. The Developer has made operating advances of \$404,500 to help cover the operating deficits, of which \$80,000 was advanced during the current fiscal year. The District has recorded a liability for this amount in the Statement of Net Position at July 31, 2015.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission, 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 10. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE

The District has experienced operating deficits and is dependent on operating advances to be made to meet its financial obligations during the startup period. The District has recorded a deficit fund balance in the General Fund of \$22,487. The District expects the deficit to be alleviated as growth in the number of residents and the accompanying tax base continues.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2015

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2015

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 23,000	\$ 21,049	\$ 22,157	\$ 1,108
Water Service	8,497	8,497	29,656	21,159
Wastewater Service	9,324	9,324	12,180	2,856
Regional Water Authority Fee	3,575	3,575	404	(3,171)
Penalty and Interest	645	645	1,112	467
Tap Connection and Inspection Fees	97,680	87,600	119,102	31,502
Miscellaneous Revenues	<u>228</u>	<u>228</u>	<u>474</u>	<u>246</u>
TOTAL REVENUES	<u>\$ 142,949</u>	<u>\$ 130,918</u>	<u>\$ 185,085</u>	<u>\$ 54,167</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 95,000	\$ 97,000	\$ 111,627	\$ (14,627)
Contracted Services	21,200	23,600	37,356	(13,756)
Purchased Water Service/Water Authority Fees	8,064	8,064	32,240	(24,176)
Purchased Wastewater Service	4,570	4,570		4,570
Repairs and Maintenance	15,000	9,000	8,355	645
Other	53,558	53,558	55,200	(1,642)
Capital Outlay	<u></u>	<u></u>	<u>28,215</u>	<u>(28,215)</u>
TOTAL EXPENDITURES	<u>\$ 197,392</u>	<u>\$ 195,792</u>	<u>\$ 272,993</u>	<u>\$ (77,201)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (54,443)</u>	<u>\$ (64,874)</u>	<u>\$ (87,908)</u>	<u>\$ (23,034)</u>
OTHER FINANCING SOURCES(USES)				
Developer Advances	<u>\$ 54,443</u>	<u>\$ 64,874</u>	<u>\$ 80,000</u>	<u>\$ 15,126</u>
NET CHANGE IN FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (7,908)</u>	<u>\$ (7,908)</u>
FUND BALANCE - AUGUST 1, 2014	<u>(14,579)</u>	<u>(14,579)</u>	<u>(14,579)</u>	<u></u>
FUND BALANCE - JULY 31, 2015	<u>\$ (14,579)</u>	<u>\$ (14,579)</u>	<u>\$ (22,487)</u>	<u>\$ (7,908)</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JULY 31, 2015

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2015

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

Based on the rate order effective June 19, 2014.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 30.00	3,000	N	\$ 3.08	3,001 to 15,000
				\$ 3.66	15,001 to 25,000
				\$ 4.18	25,001 to 35,000
				\$ 7.32	35,001 and above
WASTEWATER:	\$ 21.00	3,000	N	\$ 3.55	3,001 and above
SURCHARGE:	\$ 2.16 per 1,000 gallons			\$ 2.16	per 1,000

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$51.56 Wastewater: \$45.85 Surcharge: \$21.60

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2015

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤¾'	_____	_____	x 1.0	_____
1'	_____	_____	x 2.5	_____
1½'	_____	_____	x 5.0	_____
2'	_____	_____	x 8.0	_____
3'	_____	_____	x 15.0	_____
4'	_____	_____	x 25.0	_____
6'	_____	_____	x 50.0	_____
8'	_____	_____	x 80.0	_____
10'	_____	_____	x 115.0	_____
Total Water Connections	_____*	_____*		_____
Total Wastewater Connections	_____*	_____*	x 1.0	_____

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

* Information unavailable at time of audit.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2015

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely ☒ Partly ☐ Not at all ☐

City in which District is located:

Conroe, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2015

PROFESSIONAL FEES:	
Engineering	\$ 14,584
Legal	<u>97,043</u>
TOTAL PROFESSIONAL FEES	<u>\$ 111,627</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service/Water Authority Fees	<u>\$ 32,240</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 171
Bookkeeping	9,585
Operations and Billing	24,000
Tax Collector	<u>3,600</u>
TOTAL CONTRACTED SERVICES	<u>\$ 37,356</u>
REPAIRS AND MAINTENANCE	<u>\$ 8,355</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,450
Insurance	3,768
Office Supplies and Postage	1,620
Payroll Taxes	493
Travel and Meetings	64
Other	<u>1,730</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 14,125</u>
CAPITAL OUTLAY	<u>\$ 28,215</u>
TAP CONNECTIONS	<u>\$ 38,420</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 209
Other	<u>2,446</u>
TOTAL OTHER EXPENDITURES	<u>\$ 2,655</u>
TOTAL EXPENDITURES	<u>\$ 272,993</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2015

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE		
AUGUST 1, 2014	\$	
Adjustments to Beginning		
Balance	<u> </u>	\$ -0-
Original 2014 Tax Levy	\$ 22,157	
Adjustment to 2014 Tax Levy	<u> </u>	<u> 22,157</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 22,157
TAX COLLECTIONS:		
Prior Years	\$	
Current Year	<u> 22,157</u>	<u> 22,157</u>
TAXES RECEIVABLE		
JULY 31, 2015		<u>\$ -0-</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2015

	<u>2014</u>
PROPERTY VALUATIONS:	
Land	\$ 3,448,160
Improvements	6,460
Exemptions	<u>(992,720)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 2,461,900</u>
TAX RATES PER \$100 VALUATION:	
Maintenance	<u>\$ 0.90</u>
ADJUSTED TAX LEVY*	<u>\$ 22,157</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 9, 2009.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND FIVE YEARS

	<u>Amounts</u>		
	<u>2015*</u>	<u>2014</u>	<u>2013</u>
REVENUES			
Property Taxes	\$ 22,157	\$	\$
Water Service	29,656		
Wastewater Service	12,180		
Regional Water Authority Fees	404		
Penalty and Interest	1,112		
Tap Connection and Inspection Fees	119,102		
Miscellaneous Revenues	474		
TOTAL REVENUES	<u>\$ 185,085</u>	<u>\$</u>	<u>\$</u>
EXPENDITURES			
Professional Fees	\$ 111,627	\$	\$
Contracted Services	37,356		
Purchased Water Service/Water Authority Fees	32,240		
Repairs and Maintenance	8,355		
Other	55,200		
Capital Outlay	28,215		
TOTAL EXPENDITURES	<u>\$ 272,993</u>	<u>\$</u>	<u>\$</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (87,908)</u>	<u>\$</u>	<u>\$</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ 80,000	\$	\$
NET CHANGE IN FUND BALANCE	\$ (7,908)	\$	\$
BEGINNING FUND BALANCE	(14,579)		
ENDING FUND BALANCE	<u>\$ (22,487)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>**</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>**</u>	<u>N/A</u>	<u>N/A</u>

* First year audit.

** Information unavailable at time of audit.

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2012	2011	2015*	2014	2013	2012	2011
\$	\$	12.0 %				
		16.0				
		6.6				
		0.2				
		0.6				
		64.3				
		0.3				
\$	\$	100.0 %				
\$	\$	60.3 %				
		20.2				
		17.4				
		4.5				
		29.8				
		15.2				
\$	\$	147.4 %				
\$	\$	(47.4) %	N/A	N/A	N/A	N/A
\$	\$					
\$	\$					
\$ N/A	\$ N/A					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2015

District Mailing Address Montgomery County Municipal Utility District No. 126
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 1400
Houston, TX 77056

District Telephone Number (713) 623-4531

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>July 31, 2015</u>	Expense Reimbursements for the year ended <u>July 31, 2015</u>	<u>Title</u>
Gary Calfee	05/2012 05/2016 (Elected)	\$ 1,650	\$ -0-	President
James D. Poole	04/2015 05/2016 (Appointed)	\$ 900	\$ -0-	Vice President
Adam Soffar	05/2012 05/2016 (Elected)	\$ 1,050	\$ -0-	Secretary
Dan Dominey	05/2014 05/2018 (Elected)	\$ 1,650	\$ -0-	Assistant Secretary
Irving A. Wolf	05/2014 05/2018 (Elected)	\$ 1,200	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
April 24, 2015.

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution (TWC Section 49.060) on February 20, 2009. 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. 126
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2015

Consultants:	Date Hired	Fees / Compensation for the year ended July 31, 2015	Title
Schwartz, Page & Harding, L.L.P.	02/20/09	\$ 100,914	Attorney
McCall Gibson Swedlund Barfoot PLLC	07/09/15	\$ -0-	Auditor
Municipal Accounts & Consulting, L.P.	02/20/09	\$ 10,524	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/13/14	\$ -0-	Delinquent Tax Attorney
Edminster, Hinshaw, Russ & Associates, Inc.	02/20/09	\$ 14,584	Engineer
First Southwest Company, LLC	02/20/09	\$ -0-	Financial Advisor
Mark Burton	02/20/09	\$ -0-	Investment Officer
Aqua Texas, Inc.	02/20/09	\$ 95,801	Operator
Assessments of the Southwest	06/07/13	\$ 3,625	Tax Assessor/ Collector

See accompanying independent auditor's report.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TARRANT

I hereby certify that this is a true and correct copy of a
Texas Commission on Environmental Quality document,
which is filed in the permanent records of the Commission.
Given under my hand and the seal of office on

LeDonna Castenue DEC 02 2008
LeDonna Castenue, Chief Clerk,
Texas Commission on Environmental Quality

AN ORDER GRANTING THE PETITION FOR CREATION OF
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
AND APPOINTING TEMPORARY DIRECTORS

A petition by David B. Hendricks and Houston Intercontinental Trade Center, L.P. (hereafter 'Petitioners') was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter 'Commission') for consideration of approval of the creation of Montgomery County Municipal Utility District No. 126 (hereafter "District") pursuant to Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.

The Commission, after having considered the petition, application material, and memorandum from the Executive Director dated November 4, 2008 (hereafter 'Memorandum'), attached as Exhibit 'B', finds that the petition for creation should be approved.

The Commission finds that the creation of the proposed District as set out in the application is feasible, practicable, and necessary, and would be a benefit to the land to be included in the proposed District.

The Commission further finds that the proposed District and its system and subsequent development within the proposed District will not have an unreasonable effect on land elevation, subsidence, groundwater level within the region, recharge capability of a groundwater source, natural runoff rates and drainage, water quality, or total tax assessments on all land located within the proposed District.

All of the land and property proposed may properly be included within the proposed District.

All statutory and regulatory requirements for creation of Montgomery County Municipal Utility District No. 126 have been fulfilled in accordance with TEX. WATER CODE § 54.021 and 30 TEX. ADMIN. CODE §§ 293.11-293.12.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY THAT:

1. The petition for the creation of Montgomery County Municipal Utility District No. 126 is hereby granted.

2. The District is created under the terms and conditions of Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapter 54.

3. The District shall have, and shall be subject to, all of the rights, duties, powers, privileges, authority, and functions conferred and imposed by the Commission and the general laws of the State of Texas relating to municipal utility districts, including road powers under TEX. WATER CODE § 54.234, subject to the requirements of the Commission and general laws of the State of Texas relating to the exercise of such powers.

4. The District shall be composed of the area situated wholly within Montgomery County, Texas, described by metes and bounds in Exhibit 'A' attached hereto and incorporated herein for all purposes.

5. The Memorandum dated November 4, 2008, attached as Exhibit 'B', is hereby incorporated as part of this Order.

6. The persons listed in Recommendation No. 4 of the Memorandum are hereby named and appointed as temporary directors and shall, as soon as practicable after the date of entry of this Order, execute their official bonds and take their official oaths of office. All such bonds shall be approved by the Board of Directors of the District, and each bond and oath shall be filed with the District and retained in its records.

7. This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the Commission in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for Commission consideration.

8. The Order shall not constitute approval or recognition of the validity of any provision in City of Conroe creation consent Ordinance No. 1848-08, effective May 22, 2008, nor any other ordinance/resolution incorporated therein by reference to the extent that such provision exceeds the authority granted to the City of Conroe by the laws of the State of Texas.

9. The Chief Clerk of the Commission shall forward a copy of this Order to all affected persons.

10. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **NOV 20 2008**

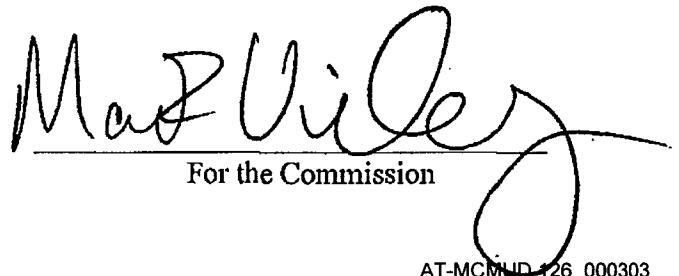

For the Commission

Exhibit A

METES AND BOUNDS DESCRIPTION
293.49 ACRES IN THE
JAMES EDWARDS SURVEY, ABSTRACT NO. 190 AND THE
ELIJAH COLLARD SURVEY, ABSTRACT NO. 7
MONTGOMERY COUNTY, TEXAS

A 293.49-ACRE TRACT OF LAND SITUATED IN THE JAMES EDWARDS SURVEY, ABSTRACT NO. 190, AND THE ELIJAH COLLARD SURVEY, ABSTRACT NO. 7, MONTGOMERY COUNTY, TEXAS, BEING A PORTION OF THAT CALLED 175.1768-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112579, ALL OF THAT CALLED 23.43-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006101070, ALL OF THAT CALLED 37.564-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY SPECIAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006082871, ALL OF THAT CALLED 33.861-ACRE TRACT CONVEYED TO HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007009290, AND ALL OF THAT CALLED 23.419-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112578 ALL OF THE OFFICIAL PUBLIC RECORDS OF REAL PROPERTY, SAID 293.49-ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS WITH ALL BEARINGS BASED ON THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE, AS DETERMINED BY GPS MEASUREMENTS;

BEGINNING at a 5/8-inch iron rod found on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet J, Sheets 161 thru 163 of the Montgomery County Map Records;

- (1) THENCE North 12°45'59" East, along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet I, Sheets 59 thru 65 of the Montgomery County Map Records, and continuing in all 1255.98 feet to a 5/8-inch iron rod found for the northeast corner of said Longmire on Lake Conroe Section 3;
- (2) THENCE North 77°12'18" West, 1616.63 feet, along the north line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" set for an interior corner of said Longmire on Lake Conroe Section 3;
- (3) THENCE North 11°56'28" East, 565.74 feet, along an interior line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod found for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, being on the 201-foot contour line;

THENCE along the 201-foot contour line, the following fifty (50) courses and distances:

- (4) South 87°23'59" East, 33.75 feet to a point;
- (5) North 60°22'00" East, 14.06 feet to a point;
- (6) South 88°53'51" East, 14.40 feet to a point;
- (7) South 44°41'08" East, 14.73 feet to a point;
- (8) South 25°42'16" East, 23.63 feet to a point;
- (9) South 21°31'26" East, 48.80 feet to a point;
- (10) South 24°18'55" East, 36.65 feet to a point;

- (11) South 23°02'23" East, 43.48 feet to a point;
- (12) South 32°41'37" East, 41.56 feet to a point;
- (13) South 39°04'34" East, 23.02 feet to a point;
- (14) South 43°05'41" East, 23.55 feet to a point;
- (15) South 89°57'44" East, 22.50 feet to a point;
- (16) North 62°41'04" East, 21.03 feet to a point;
- (17) North 32°09'28" East, 44.39 feet to a point;
- (18) North 10°10'15" West, 36.41 feet to a point;
- (19) North 09°26'25" West, 45.54 feet to a point;
- (20) North 15°23'27" East, 43.59 feet to a point;
- (21) North 11°14'01" East, 48.40 feet to a point;
- (22) North 13°00'46" East, 21.26 feet to a point;
- (23) North 10°49'35" East, 30.79 feet to a point;
- (24) North 32°19'05" East, 12.24 feet to a point;
- (25) North 58°33'18" East, 11.79 feet to a point;
- (26) South 80°41'18" East, 26.94 feet to a point;
- (27) South 63°13'35" East, 31.75 feet to a point;
- (28) South 56°59'25" East, 57.54 feet to a point;
- (29) South 59°37'32" East, 54.26 feet to a point;
- (30) South 59°24'03" East, 33.57 feet to a point;
- (31) South 57°44'53" East, 37.89 feet to a point;
- (32) South 58°14'18" East, 35.57 feet to a point;
- (33) South 59°55'00" East, 46.09 feet to a point;
- (34) South 50°39'40" East, 31.93 feet to a point;
- (35) South 81°19'12" East, 21.88 feet to a point;
- (36) North 34°51'06" East, 20.55 feet to a point;
- (37) North 15°39'43" East, 23.19 feet to a point;
- (38) North 27°35'55" West, 25.09 feet to a point;
- (39) North 45°59'51" West, 31.29 feet to a point;
- (40) North 38°24'53" West, 41.42 feet to a point;
- (41) North 48°11'04" West, 42.03 feet to a point;
- (42) North 52°44'02" West, 37.78 feet to a point;

- (43) North 47°31'18" West, 36.54 feet to a point;
 - (44) North 51°00'12" West, 68.46 feet to a point;
 - (45) North 54°27'30" West, 53.57 feet to a point;
 - (46) North 50°14'59" West, 43.08 feet to a point;
 - (47) North 50°50'55" West, 63.18 feet to a point;
 - (48) North 45°44'33" West, 53.82 feet to a point;
 - (49) North 17°44'30" West, 55.91 feet to a point;
 - (50) North 04°00'03" West, 43.57 feet to a point;
 - (51) North 16°15'40" West, 51.84 feet to a point;
 - (52) North 15°27'23" West, 69.20 feet to a point;
 - (53) North 09°53'22" East, 38.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
 - (54) THENCE South 81°28'22" East, at 10.00 feet passing a 5/8-Inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" set for reference, and continuing in all 849.61 feet to a 5/8-Inch iron rod found for the southeast corner of said Pebble Glen on the Lake;
 - (55) THENCE North 11°49'44" East, along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- THENCE along the 201-foot contour line, the following twenty-one (21) courses and distances:
- (56) South 87°34'31" East, 44.31 feet to a point;
 - (57) North 85°18'39" East, 103.76 feet to a point;
 - (58) South 87°41'11" East, 41.82 feet to a point;
 - (59) South 89°57'21" East, 52.34 feet to a point;
 - (60) South 83°58'25" East, 51.16 feet to a point;
 - (61) South 87°20'06" East, 50.00 feet to a point;
 - (62) North 85°40'28" East, 43.06 feet to a point;
 - (63) North 89°02'07" East, 48.48 feet to a point;
 - (64) South 89°59'11" East, 15.57 feet to a point;
 - (65) North 67°52'38" East, 22.66 feet to a point;
 - (66) North 02°29'35" East, 28.08 feet to a point;
 - (67) North 00°13'32" East, 29.04 feet to a point;
 - (68) North 67°39'40" West, 30.47 feet to a point;
 - (69) North 74°43'23" West, 56.56 feet to a point;
 - (70) North 75°25'23" West, 45.28 feet to a point;
 - (71) South 86°37'31" West, 74.43 feet to a point;

- (72) North 69°28'00" West, 40.10 feet to a point;
- (73) North 84°38'33" West, 45.92 feet to a point;
- (74) North 86°09'04" West, 59.74 feet to a point;
- (75) North 79°31'57" West, 49.92 feet to a point;
- (76) South 68°16'23" West, 53.48 feet to a point on the east line of Calfee Road (60-foot right-of-way) recorded in Volume 632, Page 291 and Volume 640, Page 139, both of the Montgomery County Deed Records;
- (77) THENCE North 11°11'22" East, 229.43 feet along the east line of said Calfee Road to a 1/2-Inch Iron rod found, being the southwest corner of the aforementioned 23.419-acre tract;

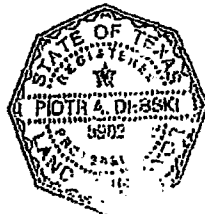
THENCE In a northerly direction along the common line of said Calfee Road and said 23.419-acre tract, the following three (3) courses and distances:

(78) North 21°10'57" East, 89.92 feet to a PK Nail found;
- (79) North 51°27'01" East, 105.82 feet to a 5/8-Inch Iron rod found;
- (80) North 12°47'09" East, 328.16 feet to a point on the southwest corner of League Line Road (60-foot-right-of-way) recorded in Volume 825, Page 102 and Volume 1049, Page 571, both of the Montgomery County Deed Records from which a 1/2-Inch Iron rod with cap stamped "Jeff Moon RPLS 4539" found for the most westerly northwest corner of said 23.939-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears North 12°47'09" East, 133.02 feet;
- (81) THENCE South 76°39'07" East, at 98.85 feet passing a PK Nail found for the corner of said 23.939-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-Inch Iron rod found;
- (82) THENCE South 77°19'32" East, 980.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-Inch Iron rod found, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 9509572 of the Official Public Records of Real Property;
- (83) THENCE South 12°09'43" West, along the common line of said remainder tract and said 23.419-acre tract, at 484.50 feet passing a 5/8-Inch Iron rod found, and continuing in all 485.18 feet to a 5/8-Inch Iron rod with cap stamped "E.H.R.&A. 713-784-4500" set on the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 458, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;
- (84) THENCE South 77°02'20" East, 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap found on the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 99.75-acre tract recorded under Montgomery County Clerk's File No. 9891554 of the Official Public Records of Real Property;
- (85) THENCE South 12°12'48" West, along the common line of said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, and Longmire Way, said 99.75-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564-acre tract, at 428.83 feet passing a 1/2-Inch Iron rod found for the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2-Inch Iron rod found for the common east corner of said 33.861-acre tract and said 37.564-acre tract, and continuing in all 1791.25 feet to a PK Nail found for the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;

- (86) THENCE North 77°53'49" West, 2280.36 feet, along the common line of said 37.564-acre tract and said 26.5516-acre tract, to a 1/2-inch iron rod found for the common west corner of said 37.564-acre tract and said 26.5516-acre tract, being on the east line of aforementioned 321.470-acre tract;
- (87) THENCE South 11°58'58" West, 507.48 feet along the common line of said 26.5516-acre tract and said 321.470-acre tract, to a 3/4-inch iron pipe found for the southwest corner of said 26.5516-acre tract and the northwest corner of The Estates of Longmire on Lake Conroe, plat of which is recorded in Cabinet H, Sheets 92B, 93A, 93B, and 94A of the Montgomery County Map Records;
- (88) THENCE South 11°12'47" West, 1416.70 feet, along the common line of said 321.470-acre tract and said The Estates of Longmire on Lake Conroe, to a fence corner on the north line of the aforementioned Longmire Way, being on the arc of a non-tangent curve to the right;
- THENCE in a westerly direction, along the north line of said Longmire Way, the following six (6) courses and distances:
- (89) Along the arc of said curve to the right having a radius of 1990.56 feet, a central angle of 05°37'51", an arc length of 195.63 feet, and a chord bearing North 74°33'58" West, 195.55 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (90) Along the arc of said curve to the left having a radius of 824.29 feet, a central angle of 14°21'06", an arc length of 206.47 feet, and a chord bearing North 78°55'35" West, 205.93 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (91) Along the arc of said curve to the right having a radius of 1499.91 feet, a central angle of 07°28'46", an arc length of 195.80 feet, and a chord bearing North 82°21'44" West, 195.66 feet to a 5/8-inch iron rod found;
- (92) North 78°37'21" West, 386.86 feet to a 1/2-inch iron rod found at the beginning of a curve to the left;
- (93) Along the arc of said curve to the left having a radius of 2711.89 feet, a central angle of 04°16'15", an arc length of 202.14 feet, and a chord bearing North 80°45'28" West, 202.09 feet to a 1/2-inch iron rod found at a point of reverse curvature;
- (94) Along the arc of said curve to the right having a radius of 1997.82 feet, a central angle of 05°38'44", an arc length of 196.85 feet, and a chord bearing North 80°04'13" West, 196.77 feet to the POINT OF BEGINNING, containing a gross acreage of 293.49 acres of land.

EDMINSTER, HINSHAW, RUSS AND ASSOCIATES, INC.

Piotr A. Debski, R.P.L.S.
Texas Registration No. 5902
10555 Westoffice Drive
Houston, Texas 77042
713-784-4500



Date: Jan 27, 2008
Job No: 071-018-00
File No: R:\2007\071-018-00\doc\technical\descr\293.49ac.doc

293.49 Acres
James Edwards Survey, A-190
Elijah Collard Survey, A-7
Page 5 of 5

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Todd Chenoweth, Director
Water Supply Division

Date: November 4, 2008

Thru: ^{RN} ^{for} Doug Holcomb, P.E. Manager, Utilities and Districts Section
^{RN} ^{for} Alex A. (Skip) Ferris, P.E. Leader, Districts Review Team

From: Districts Review Team

Subject: Petition by David B. Hendricks, individual, and Houston Intercontinental Trade Center, L.P. for Creation of Montgomery County Municipal Utility District No. 126; Pursuant to Texas Water Code Chapters 49 and 54.
TCEQ Internal Control No. 07082008-D02 (TC)
CN: 603385923 RN: 105577530

A. GENERAL INFORMATION

The Commission received a petition within the application requesting approval for the creation of Montgomery County Municipal Utility District No. 126 (District). The petition was signed by David B. Hendricks, individual, and by Michael P. Barsi, president of Revista, Inc, general partner of Houston Intercontinental Trade Center, L.P. (Petitioners). According to the petition, the Petitioners are the owners of a majority in value of the land in the proposed District, and that there are two lien holders; Sterling Bank, and Benchmark Bank, on the property to be included in the proposed District. By joinder to the petition, the lien holders consent to the creation of the proposed District.

The District is proposed to be created and organized according to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code.

Location and Access

The proposed District is located in central Montgomery County, three miles west of Interstate Highway 45 on the east side of Lake Conroe, and approximately six miles northwest of the downtown portion of the City of Conroe (City). Access to the proposed District is provided from IH-45 to League Line Road. The petition states that all of the proposed District is located within the extraterritorial jurisdiction (ETJ) of the City, and is in the process of being annexed into the corporate limits of the City.

Metes and Bounds Description

The proposed District contains one tract of land totaling 293.49 acres. The metes and bounds description of the proposed District has been checked by the Commission's staff and has been found to form an acceptable closure.

City Consent

By Ordinance No. 1848-08, effective May 22, 2008, the City of Conroe gave its consent to the petition for creation of the proposed District. Accordingly, the requirements of Texas Water Code Section 54.016 and Texas Local Government Code Section 42.042 have been satisfied. The City consent recognizes the proposed District providing water, wastewater, drainage, recreational, and road facilities.

Statements of Filing Petition

Evidence of filing the petition with the Montgomery County clerk's office and the Commission's Houston regional office has been provided.

Type of Project

The proposed District will be considered a 'developer project' as defined by 30 TAC Section 293.44(a). Therefore, developer cost participation in accordance with 30 TAC Section 293.47 will be required.

Developer Qualifications

Application material indicates that the Petitioners have completed commercial, mixed use, and single-family residential communities in the greater Houston area for over 30 years. The material also indicates that the Petitioners are currently involved in several projects at various stages of development.

Appraisal District Certificate

By certificate dated March 6, 2008, the Montgomery Central Appraisal District has certified that the tax rolls indicate that David Hendricks and Houston Intercontinental Trade Center L.P. are the owners of the property in the proposed District. Documents provided support that the Petitioners own a majority in value of the land in the proposed District.

Temporary Director Affidavits

The Commission has received affidavits for Commission consideration of the appointment of temporary directors for the following:

Irving A. Wolf
Adam H. Soffar

Gary Calfee
Donald E. Robinowitz

Robert L. Tompkins

Each of the above persons named is qualified, as required by 30 TAC Section 293.32(a), to serve as a temporary director of the proposed District as each (1) is at least 18 years old; (2) is a resident of the state of Texas; and (3) either owns land subject to taxation within the proposed District, or is a qualified voter within the proposed District.

Notice Requirements

Proper notice of the application was published on August 25 and September 1, 2008, in the Conroe Courier, a newspaper regularly published or circulated in Montgomery County, the county in which the district is proposed to be located. Proper notice of the application was posted on August 25, 2008, on the bulletin board used for posting legal notices in Montgomery County. Accordingly, the notice requirements of 30 TAC Section 293.12(b) have been satisfied.

B. ENGINEERING ANALYSIS

The creation engineering report indicates the following:

Availability of Comparable Service

The proposed District will be annexed by the City. Pursuant to the terms of the Utility Services and Development Agreement (Agreement), the City will provide water supply and wastewater treatment services, and trunk lines to the proposed District, at no cost to the proposed District. The proposed District will construct, own, and operate its own internal water, wastewater, and drainage systems.

Water Supply

Pursuant to the Agreement, the City will provide the proposed District with its water supply at no cost to the proposed District.

Water Distribution

The water distribution system for full development will consist of 54,210 linear feet (lf) of 4 to 12-inch diameter lines that will connect to an existing City line. Isolation valves and flushing valves will be provided at required intervals.

Wastewater Treatment

The wastewater generated by the development of the proposed District will be conveyed to a wastewater treatment facility constructed, maintained, and operated by the City at no cost to the proposed District, pursuant to the Agreement.

Wastewater Collection

The internal wastewater collection system for full development of the proposed District will consist of 43,380 (lf) of 8 to 12-inch diameter gravity lines, five lift stations, and approximately 9,200 lf of 4 to 10-inch diameter force main that discharge into an existing 24-inch City wastewater line.

Storm Water Drainage

The storm water runoff within the proposed District will be directed through curb inlets to 31,570 lf of 24 to 66-inch diameter reinforced concrete storm sewers. For the 78-acre eastern portion of the proposed District, collected storm water will drain into detention facilities and ultimately through an existing development. The remaining acreage will drain into Lake Conroe through a series of drainage channels and reinforced concrete pipe.

Topography

The proposed District has elevations ranging from 202 to 330 feet above mean sea level. The tract is heavily wooded with rolling terrain, and generally drains westerly toward Lake Conroe.

Floodplain

Federal Emergency Management Agency Flood Insurance Rate Map Panel No. 48339C0359F dated December 19, 1996, indicates that no acreage of the proposed District is inside the 100 year flood plain.

Impact on Natural Resources

The creation of the proposed District is expected to have no unreasonable effect on land elevation, groundwater levels, recharge capability, subsidence, natural runoff rates and drainage, or water quality.

C. SUMMARY OF COSTS **– WATER, WASTEWATER, AND DRAINAGE**

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Water distribution system	\$ 1,745,680
2. Wastewater collection	3,390,930
3. Lift stations (4) internal	650,000
4. Drainage collection facilities	3,319,830
5. Drainage and detention	1,064,040
6. Pollution Prevention Plan	660,000
7. Clearing & grubbing	574,700
8. Contingencies (10% of Item nos. 1–7)	1,140,518
9. Engineering (16% of Item nos. 1–8)	<u>2,007,312</u>
Total Developer Contribution Items	\$ 14,553,010
B. District Items	
1. Lift station main	\$ 375,000
2. Contingencies (10% of Item no.1)	37,500
3. Engineering (16% of Items nos.1 & 2)	66,000
4. Land costs	
a. Lift station site (0.3 acres x \$30,000/acre)	9,000

b. Detention site (46.8 acres x \$30,000/acre)	1,404,000
Total District Items	<u>1,891,500</u>
TOTAL CONSTRUCTION COSTS (67.46% of BIR)	\$ 16,444,510
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 731,250
B. Fiscal Agent Fees (2%)	487,500
C. Interest	
1. Capitalized Interest (24 months @ 6%)	2,925,000
2. Developer Interest (24 months @ 6%)	1,973,341
D. Bond Discount (3%)	731,250
E. Creation Costs	75,000
F. Operating Expenses	300,000
G. Bond Issuance Expenses	301,836
H. Bond Application Report Costs	320,000
I. Attorney General Fee (0.1% of BIR)	24,375
J. TCEQ Bond Issuance Fee (0.25%)	60,938
TOTAL NONCONSTRUCTION COSTS	<u>\$ 7,930,490</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 24,375,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding and 30% developer contribution requirements may be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

- ROADWAYS

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Major Roadways	\$ 1,663,377
2. Landscaping thoroughfares and collector streets	220,000
3. Contingencies (10% of Item nos. 1 & 2)	188,338
4. Engineering (16% of Item nos. 1 - 3)	<u>331,474</u>
Total Developer Contribution Items	\$ 2,403,189
B. District Items	
None	
TOTAL CONSTRUCTION COSTS (71.95% of BIR)	\$ 2,403,189
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 100,200
B. Fiscal Agent Fees (2%)	66,800
C. Interest	
1. Capitalized Interest (24 months @ 6%)	400,800
2. Developer Interest (24 months @ 6%)	288,383
D. Operating cost	50,000

E. Miscellaneous Expenses	<u>30,628</u>
TOTAL NONCONSTRUCTION COSTS	\$ <u>936,811</u>
TOTAL BOND ISSUE REQUIREMENT	\$ <u>3,340,000</u>

Note: (1) Assumes 100% funding of anticipated developer contribution items.
Eligibility of costs for District funding and 30% developer contribution requirements may be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

- RECREATION

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Amenity park plan	\$ 725,000
2. Contingencies (10% of Item no. 1)	72,500
3. Engineering (15% of Items 1 & 2)	<u>119,625</u>
Total Developer Contribution Items	\$ 917,125
B. District Items	
None	
TOTAL CONSTRUCTION COSTS (70.0% of BIR)	\$ 917,125
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 39,300
B. Fiscal Agent Fees (2%)	26,200
C. Interest	
Capitalized Interest (24 months @ 6%)	157,200
D. Bond Discount (3%)	39,300
E. Bond Issuance Expenses	36,290
F. Operating costs	50,000
G. Bond Application Report Costs	40,000
H. Attorney General Fee (0.10% of BIR)	1,310
I. TCEQ Bond Issuance Fee (0.25%)	<u>3,275</u>
TOTAL NONCONSTRUCTION COSTS	\$ <u>392,875</u>
TOTAL BOND ISSUE REQUIREMENT	\$ <u>1,310,000</u>

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding will be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

D. ECONOMIC ANALYSIS

Land Use

The land use for the proposed District is projected in the following table:

<u>Development</u>	<u>Acres</u>	<u>ESFCs</u>
Single-Family Residential	219.40	771
Recreation Center	1.80	6
Park, Recreation & Open Space	25.19	0
Lift station	0.30	0
Lake and Water Quality Detention	46.80	0
Total	293.49	777

Market Study

A market study, prepared by MetroStudy, has been submitted in support of the creation of the proposed District, and shows there is a market demand for the District. The market study indicates that the proposed District will contain 771 single-family homes with prices averaging from \$225,000 to \$360,000 on 60 to 80-foot lots, and expected to be absorbed at a rate of 85 to 160 units per year. The proposed District will also contain a recreation center.

Project Financing

The estimated total assessed valuation of the proposed District at completion is as follows:

<u>Single-Family Lot Width</u>	<u># of Units</u>	<u>Average Unit Value</u>	<u>Total Value at Build-out</u>
60 – 80 foot	771 homes	\$ 304,838	\$ 235,030,000
Total			\$ 235,030,000

Considering an estimated bond issue requirement of \$24,375,000 (assuming 100% financing) for utilities, \$3,340,000 (assuming 100% financing) for roads, and \$1,310,000 (assuming 100% financing) for recreational facilities, a coupon bond interest rate of 6.0%, and a 25-year bond life, the average annual debt service requirement for utilities, roads, and recreational facilities would be approximately \$1,906,776, \$261,277 and \$102,477, respectively. Assuming a 95% collection rate and an ultimate taxable assessed valuation of \$235,030,000, a tax rate of about \$0.85 per \$100 AV for utilities, \$0.12 per \$100 AV for roads, and \$0.05 per \$100 AV for recreation facilities, respectively, would be necessary to meet the annual debt service requirements.

The total year 2007 overlapping tax rates on land within the proposed District are shown in the following table:

<u>Taxing Jurisdiction</u>	<u>Tax per \$100 valuation</u>
Montgomery County	\$ 0.4888
Montgomery County Hospital District	0.0777
North Harris Montgomery County College District	0.1144
Willis ISD	1.3060
City of Conroe	0.4250
Proposed Montgomery County MUD No. 126	<u>1.0200</u> ⁽¹⁾
Total tax per \$100 valuation	\$ 3.4289

Notes: (1) Includes debt service tax rates of \$0.85 for utilities, \$0.12 for roads, and \$0.05 for recreational facilities. No maintenance tax was indicated. The total (proposed District tax; and the City tax for water, wastewater and drainage, road, and recreational facilities – if the City annexes the land) would need to be less than the \$1.50 limit indicated in 30 TAC rules.

Based on the proposed District tax rate and the year 2007 overlapping tax rates on land within the proposed District, the project is considered economically feasible.

Water and Wastewater Rates

According to information provided projected City rates are as follows:

Water:

Base charge (up to 3,000 gallons)	\$8.71
Each 1,000 gallons over 3,000 gallons	\$2.16

Wastewater:

Base charge (up to 3,000 gallons)	\$15.73
Each 1,000 gallons over 3,000 gallons	\$ 1.92

Based on the City rates, the estimated monthly fee for 10,000 gallons of water and wastewater would be approximately \$53.00.

Comparative Water District Tax Rates

A debt tax rate of about \$1.02 for the proposed District is comparable to other districts in the area. Based on the requirements of 30 TAC Section 293.59, this project is economically feasible.

E. SPECIAL CONSIDERATIONS

1. Annexation

As stated above, the proposed District is in the ETJ of the City. The engineering report indicates that the proposed District is in the process of being annexed by the City.

2. Request for Road Powers

The Petitioners request approval for road powers at the same time as the creation of the proposed District. Pursuant to Texas Water Code Section 54.234, approval of road utility district powers may be requested at the same time as creation. The proposed District has submitted a summary of the estimated cost in the engineering report that was submitted with the application. The proposed roads appear to benefit the proposed District, and financing appears feasible.

3. Request for Recreation Plan Approval

The Petitioners request approval of a recreation plan at the same time as the creation of the proposed District. Pursuant to Texas Water Code Section 49.351(g) and 30 TAC Section 293.11(a)(10), approval of a recreation plan may be requested at the same time as creation. The application material includes a detailed summary of the proposed recreational facility projects, projects' estimated costs, and proposed financing methods for the projects. The proposed District plan to construct recreational facility appears reasonable and feasible.

F. CONCLUSIONS

1. Based on Commission policy, compliance with Commission rules, and review of the engineering report and supporting documents, the proposed District is considered feasible, practicable, would be a benefit to the land within the proposed District, and would be necessary as a means to finance utilities and to provide utility service to future customers.
2. Based on a review of the application and supporting documents, the District's acquisition of Road Powers is considered feasible.
3. Based on a review of the preliminary engineering report; the market study; the proposed District's water, wastewater, drainage, road, and recreational facilities; a combined projected tax rate of \$1.02; the proposed District obtaining a 6.0% bond coupon interest rate; and other supporting data, the proposed District is considered feasible under the feasibility limits prescribed by 30 TAC Section 293.59.
4. The recommendations are made under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

G. RECOMMENDATIONS

1. Grant the petition for creation of Montgomery County Municipal Utility District No. 126.
2. Grant the District's request to acquire Road Powers in accordance with Texas Water Code Section 54.234 and 30 TAC §§ 293.201 and 293.202, subject to the requirements imposed by the Commission and the general laws of the State of Texas relating to the exercise of such powers.
3. The order granting the petition should include the following statements:

'This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the Commission in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for Commission consideration.

'This Order shall not constitute approval or recognition of the validity of any provision in the City of Conroe creation consent Ordinance No. 1848-08, effective May 22, 2008, and any other ordinance/resolution incorporated therein by reference to the extent that such provisions exceed the authority granted to the City of Conroe by the laws of the State of Texas.

4. Appoint the following to serve as temporary directors until permanent directors are elected and qualified:

Irving A. Wolf
Adam H. Soffar

Gary Calfee
Donald E. Robinowitz

Robert L. Tompkins

H. ADDITIONAL INFORMATION

The petitioners' professional representatives are:

Attorney: Mr. Abraham I. Rubinsky – Schwartz, Page, & Harding LLP

Engineer: Mr. Hasan Syed, P.E. – Edminster, Hinshaw, Russ & Assoc.

Market Analyst: Mr. Toby Ware – Metrostudy



Greg Charles
Districts Review Team