

CASE NO. 23-11-17051

GRACE COMMUNITY CHURCH-THE
WOODLANDS, INC.

Plaintiff,

v.

SOUTHERN MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT,

BRUCE HARRISON, in his official capacity as
President and Board Member for district

TERRY DAVIS, in his official capacity as Vice-
President and Board Member for the District

JOE ATKINSON, in his official capacity as
Secretary and Board Member for the district

CONNIE KAYLOR, in her official capacity as
Assistant Secretary, Investment Officer, and
Board Member for the District

and

GREG BELANGER, in his official capacity as a
Board Member for the District

Defendants.

IN THE DISTRICT COURT OF

Montgomery County - 457th Judicial District Court

_____ JUDICIAL DISTRICT

MONTGOMERY COUNTY, TEXAS

GRACE COMMUNITY CHURCH'S ORIGINAL PETITION

Plaintiff Grace Community Church-The Woodlands, Inc. ("Grace" or "Grace Church")

alleges as follows:

PRELIMINARY STATEMENT

1. This action arises out of the Southern Montgomery County Municipal Utility District's and the District's Directors'¹ (collectively, the "District") efforts to unlawfully collect taxes from Grace Church, a religious institution, under the guise of "tap fees."

2. To be clear, there is no dispute that Grace should pay and is willing to pay tap fees reflecting the District's actual costs to install a water tap and provide service to Grace. But the District does not seek fees related to any of its actual costs incurred to install a water tap or provide service to Grace. The District admits as much. Rather, the District seeks to impose additional fees of more than three times its actual cost and that exceed the tap fees it collects from any other type of user, including for-profit commercial users.

3. The District insists that these additional fees are justified because it cannot collect taxes from Grace since it is a tax exempt, religious organization. But these fees are simply taxes by a different name. The District is attempting to replace taxes—that it would be able to collect if Grace were a taxable entity—with fees far in excess of those paid by any taxable user.

4. Accordingly, the District's attempt to impose these taxes on a non-taxable entity such as Grace, however those taxes are characterized, is unlawful.

I.

DISCOVERY CONTROL PLAN

5. Grace intends to conduct discovery in this matter under Level 3 of Rule 190.4 of the Texas Rules of Civil Procedure. Grace affirmatively pleads that the expedited actions process of Texas Rule of Civil Procedure 169 does not apply to this case because Grace seeks injunctive and declaratory relief.

¹ Consisting of Defendants Bruce Harrison, Terry Davis, Joe Atkinson, Connie Kaylor, and Greg Belanger.

6. In accordance with Texas Rule of Civil Procedure 47(c), Grace states that it seeks monetary damages of \$250,000 or less, non-monetary relief (including injunctive and declaratory relief), attorney's fees, costs, and pre- and post-judgment interest.

II.

PARTIES AND SERVICE OF PROCESS

7. Plaintiff Grace Community Church-The Woodlands, Inc. is a Texas non-profit corporation organized under the laws of Texas and located in The Woodlands, Texas.

8. Defendant Southern Montgomery County Municipal Utility District (the "District") is a political subdivision of the State of Texas organized and operating pursuant to the provisions of Chapter 49 and 54 of the Texas Water Code and Section 59, Article XVI, of the Texas Constitution. The District may be served through its president, Bruce Harrison, or secretary, Joe Atkinson, at 25212 I-45, Spring, TX 77386, or wherever either may be found. *See* TEX. CIV. PRAC. & REM. CODE § 17.024(b).

9. Bruce Harrison, in his official capacity only, is a member of the Board of Directors and the current President of the District. As a member of the Board of Directors, Harrison manages the District and establishes and implements policies on behalf of the District residents. Harrison may be served with process at 25212 I-45, Spring, TX 77386, or wherever he may be found.

10. Terry Davis, in his official capacity only, is a member of the Board of Directors and the current Vice-President of the District. As a member of the Board of Directors, Davis manages the District and establishes and implements policies on behalf of the District residents. Davis may be served with process at 25212 I-45, Spring, TX 77386, or wherever he may be found.

11. Joe Atkinson, in his official capacity only, is a member of the Board of Directors and the current Secretary of the District. As a member of the Board of Directors, Atkinson

manages the District and establishes and implements policies on behalf of the District residents. Atkinson may be served with process at 25212 I-45, Spring, TX 77386, or wherever he may be found.

12. Connie Kaylor, in her official capacity only, is a member of the Board of Directors and the current Assistant Secretary and Investment Officer of the District. As a member of the Board of Directors, Kaylor manages the District and establishes and implements policies on behalf of the District residents. Kaylor may be served with process at 25212 I-45, Spring, TX 77386, or wherever she may be found.

13. Greg Belanger, in his official capacity only, is a member of the Board of Directors of the District. As a member of the Board of Directors, Belanger manages the District and establishes and implements policies on behalf of the District residents. Belanger may be served with process at 25212 I-45, Spring, TX 77386, or wherever he may be found.

III.

JURISDICTION AND VENUE

14. This Court has personal jurisdiction over the District as a political subdivision of the State of Texas located in Montgomery County, Texas.

15. This Court has subject matter jurisdiction over this lawsuit because the amount in controversy exceeds the minimum jurisdictional limits of this Court and Grace requests declaratory and injunctive relief. This Court also has jurisdiction over Grace's federal claim pursuant to 42 U.S.C. §§ 1983 and 1988.

16. The District has no governmental immunity from the claims asserted in this Petition because Grace seeks declaratory and injunctive relief seeking the refund of illegally collected taxes and fees paid under duress, *Nivens v. City of League City*, 245 S.W.3d 470, 474 (Tex. App.–

Houston [1st Dist.] 2007, pet. denied); because governmental immunity is waived for Grace’s claims under the Texas Religious Freedom Restoration Act, TEX. CIV. PRAC. & REM. CODE § 110.008; and because governmental immunity is waived for Grace’s claims that the District’s rate order is unconstitutional or unlawful under Section 37.006(b) of the Texas Civil Practice and Remedies Code. Further, the District has no governmental immunity because it constitutes a person under 42 U.S.C. § 1983. *See Stratta v. Roe*, 961 F.3d 340, 356 (5th Cir. 2020); *see also Guar. Petroleum Corp. v. Armstrong*, 609 S.W.2d 529, 531 (Tex. 1980).

17. The District’s Directors, in their official capacity, have no governmental immunity from the claims asserted in this Petition for the same reasons that the District has no governmental immunity as stated above, and because the Petition also alleges that the Directors acted without legal or statutory authority in charging or collected the unlawful fees.

18. Venue is proper in Montgomery County, Texas, pursuant to Texas Civil Practice and Remedies Code §§ 15.002(a) because a substantial part of the events giving rise to these claims occurred in Montgomery County, Texas.

19. By reason of the foregoing, the Court has jurisdiction and venue over this action.

IV.

FACTUAL BACKGROUND

Grace Church Is Exempt From Property Taxes.

20. “Churches . . . do something more than occupy valuable . . . real estate”—they “serve the poor and homeless of poverty-stricken . . . areas, providing shelter, food for the hungry, and counseling.” *First Baptist Church of San Antonio v. Bexar Cnty. Appraisal Rev. Bd.*, 833 S.W.2d 108, 113 (Tex. 1992) (Cook, J., concurring). By “minister[ing] to human and social needs which the state itself might and does to a greater or less extent undertake to satisfy,” churches thus

relieve the state “of its burden.” *River Oaks Garden Club v. City of Houston*, 370 S.W.2d 851, 855 (Tex. 1963) (quotation omitted). To account for this reality, Texas has made a “decision to spare churches from the burden of taxation.” *First Baptist*, 833 S.W.2d at 113 (Cook, J., concurring).

21. Indeed, the property-tax exemption for churches and religious organizations is part of this State’s very fabric; the original Texas Constitution gave the Texas Legislature the option to “exempt from taxation . . . actual places of religious worship, [along with] any property owned by a church or by a strictly religious society for the exclusive use as a dwelling place for the ministry of such church or religious society, and which yields no revenue whatever to such church or religious society.” TEX. CONST. art. 8, § 2. The Legislature took that opportunity, exempting from property taxes all those that qualify as “religious organization[s].” TEX. TAX CODE §§ 11.20(a), (c).

22. Grace is emblematic of why that tax exemption exists.

23. Grace is a longstanding part of the Montgomery County community, operating for 18 years with a current membership of about 4,000, provides weekly Sunday worship services to approximately 2,000 plus another 800 on Wednesday night, and offers numerous, ongoing opportunities for its members to engage in religious exercise through the local community at its growing campus in Montgomery County.

24. Grace is a pillar of its community and provides valuable services to Montgomery County residents through various ministries and outreach projects in the county and surrounding region to carry out Grace’s deeply held religious beliefs in ministry and evangelization.

25. Grace uses its church buildings, and will use its new buildings served by the water tap in question, to engage in numerous weekly religious activities, including weekly services three

times on Sunday and on Wednesdays, prayer meetings, children's ministries and youth programs. Moreover, it is from these buildings that Grace administers and directs its religious efforts worldwide, including hosting conferences for its domestic and international church plans, meetings for the missionaries Grace sends around the world, and even the writing, editing, and publication of its books, curricula, and other resources used by Christians across the country and around the world.

26. Grace conducts multiple ministries out of the church buildings, including a mom's support group; a monthly community-car-show outreach; the *Grace Garage*, which provides free car maintenance to single moms, widows, wives of deployed military, and families in need; a support and educational group for veterans and first responders; numerous prayer groups; a restoration recovery group; a foundations of the Christian faith class; conferences and events for our Grace International District; an ESL (English as a second language) class; marriage and family coaching; large men's, women's, young adults, youth, and children's ministries with numerous events, Bible studies, and groups; a Financial Peace class; a Griefshare group; a freedom and deliverance seminar and supporting groups; a class for grandparents; Medicare classes for seniors; a cyber security class; an online-safety class; handy man classes; pastoral and ministry leadership training courses; community movie nights; and a ministry to encourage voting and to keep our congregation informed about various community and government issues. The buildings are also used by various community groups free of charge.

27. Grace believes it is called to evangelize and share God's Word, as well as engage in ministry and serve others in God's name, including through the various services and ministries it provides to the community.

Grace's Expansion

28. The original church property in Montgomery County was purchased in 2001. The original church building was built in 2007. As the church expanded, additions and other buildings were needed. A children's addition was added in 2019, and a small office addition was added in 2021. Now, Grace is completing a new office building for its church staff and the headquarters of its parent organization Grace International Churches and Ministries, Inc. Grace will soon begin construction of a new 4,000 seat auditorium. The church has needed water services for all these buildings and additions (collectively, the "Church").

29. The District is the local government entity responsible for operating water and wastewater services where the Church is located. The District operates and maintains a water system to supply water to homes, businesses, and other end users in the area.

30. If users need water services from the District's system, they request that the District connect them to the District's water system through a tap—the pipes connecting the District's water system to end users. The District installs all taps and seeks reimbursement for the installation costs from the user.

31. The new office building and sanctuary required a new 8" water tap to connect the new church buildings to the District's system to supply water to the Church. This tap was necessary to provide water service to the Church for its expanded water usage. It was also necessary to provide adequate water pressure in the new buildings to the fire suppression system required by the Montgomery County Fire Code (the "Fire Code").

32. Installing this new tap for the office building and sanctuary required running an 8" water line from one of the District's water main lines running along the parkway in front of the Church to a new water meter installed at the Church. The District's main line runs between a

divided parkway. Grace purchased and installed a water meter approved by the District for the project.

33. As part of Grace's development efforts in the area, Grace had previously constructed and installed significant amounts of infrastructure for other properties it was developing in the vicinity of the Church, but which are not related to the Church. Grace installed all of it at Grace's cost, giving it over entirely to the District to allow the District to generate future revenue from customers.

34. The District installs all taps, including this 8" water tap, as it had done with the previous infrastructure Grace constructed for the District.

35. Grace understood and agreed that it would need to pay for any actual costs to install this tap.

The District's Attempts To Extract Taxes from Grace Disguised As Fees

36. Following the District's instructions, Grace requested that the District install the needed water tap to the Church. The District conditioned its response: unless Grace paid excessive fees far beyond the actual installation cost, the District would not install it.

37. These fees were above and beyond any cost to the District that would be incurred for installing the tap. Through months of discussions between Grace and the District, the District has sought additional fees based on several different and arbitrary calculations, all of which are more than double—and some more than quadruple—the actual cost to the District, and none of which relate to any actual costs the District will incur to provide service to Grace.

38. The District made clear that the actual cost of labor, materials, and equipment to install the tap would not exceed \$24,900.

39. When Grace requested that the District install the 8” water tap, the District first quoted Grace a tap fee of \$61,500, consisting of the actual cost to install the tap, *plus 150%* of the actual installation cost.

40. When Grace requested an explanation for why the fee was more than double the actual cost of installation, the District explained that it applied the rate charged to commercial entities. Grace reminded the District that the Church is part of a tax-exempt religious institution, not a commercial business.

41. In response to Grace’s concerns, rather than lowering the tap fee, in recognition of Grace’s tax exemption and the myriad intangible benefits Grace provides to the community as a religious institution, the District doubled down and quoted Grace a new tap fee of \$147,938.85—more than doubling the prior quoted fee—consisting of the actual cost of installation of \$24,900, *plus* an additional fee of \$123,038.85 the District claimed applied to non-taxable entities.

42. This second quoted fee was, on its face, simply a substitute for taxes. Recognizing that it forfeits tax revenue in the provision of services to non-taxable entities, like churches and other religious institutions, that are exempt from taxation, the District imposed a “fee” using the District’s tax rate of \$0.16/\$100 applied to the Montgomery County Appraisal District’s valuation of the Church—the exact same formula the District uses to calculate taxes. Then, the District multiplied this by fifteen to replicate fifteen years of taxes on the Church. But a revenue-generating scheme intended to recover lost taxes, or designed to achieve the same ends *as* taxes, constitutes taxes, regardless of whether such a scheme is labeled a fee.

43. In other words, the District refused to install the tap unless Grace paid fifteen years’ worth of taxes, up front.

44. Grace, as a non-taxable entity, of course objected to the payment of fifteen years of taxes as a condition for the District's installation of a tap.

45. Grace Church's founder and senior pastor, Pastor Steve Riggle, attended the District's March 2023 board meeting, raising his concerns about the District's imposition of a tax masquerading as a fee on Grace. The District's attorney informed Pastor Riggle that the purpose of the tax *qua* fee is to ensure that taxpayers would not be burdened with paying for bonds used to finance the construction centralized water, sewer, and drainage facilities to service Grace. But the District did not claim that any new facilities would need to be constructed or improved to service Grace. Rather, it sought only to shift the burden of the repayment of existing bonds to the tax exempt, religious institution of Grace.

46. Likely recognizing the blatant impermissibility of requiring a tax-exempt entity such as Grace to pay fifteen years of taxes as a condition for installing the tap, the District indicated once again that Grace could pay the tap fee for commercial businesses, \$61,500—still over double any cost to the District to install the tap or provide service to Grace.

47. Grace continued to question the inclusion of fees above and beyond any cost to the District, noting that such fees constituted impermissible taxes, and requested an explanation or basis for those additional fees.

48. On May 8, 2023, counsel for Grace Church sent a letter to the District, again asking the District to reconsider the illegal taxes. This letter warned that the fees violated the Texas Religious Freedom Restoration Act ("TRFRA") and gave the District notice of the statutorily required 60-day period to cease its burden on the Grace's and its members' free exercise of religion. *See* TEX. CIV. PRAC. & REM. CODE § 110.006(a) (detailing requirements of the 60-day notice).

49. The District acknowledged Grace's letter and indicated it would reconsider the fees over the next two months.

50. However, instead of reconsidering the fees, the District retaliated against Grace, raising the fee to \$83,780, described as a "Capital Recovery Fee." *See* Ex. A, Capital Recovery Fee Calculation. This third proposed tap fee was over three times greater any actual installation cost to the District. Instead, the fee was equivalent to more than seven years of taxes. This third fee also has no basis in the law, and instead was another effort by the District to collect taxes from a church.

51. To justify this exorbitant fee, the District argued that it was permitted to impose such a fee for centralized facilities under Texas Water Code Section 49.212(d)(2)(B), which permits the District to recover actual costs to construct or improve centralized facilities in order to service a non-taxable entity if the District must finance the construction or improvements by tax supported revenue bonds. Yet the District did not and does not need to construct or improve any centralized facilities to provide service to Grace.

52. Like the first two fees, the third fee does not relate to any actual costs incurred as a result of providing a service to Grace. Rather, the District's calculation demonstrates that it is attempting to recoup a pro rata portion of the total capital cost of the District's existing centralized facilities, including facilities constructed decades ago. *See* Ex. A, Capital Recovery Fee Calculation. This is precisely what taxes are for. *See* TEX. WATER CODE ANN. § 49.107(a) (permitting the district to "levy and collect a tax for operation and maintenance purposes, including funds for planning, constructing, acquiring, maintaining, repairing, and operating all necessary land, plants, works, facilities improvements, appliances, and equipment of the district").

53. The District nonetheless insisted that it was entitled to tax Grace, imposing fees above and beyond any actual costs it would incur for installing a tap or providing service to Grace.

54. After months of discussion, the District's refusal to install the tap unless Grace paid this tax put Grace in an untenable position. Grace was nearing completion of the new office building and start of the new sanctuary, but Grace could not complete and occupy these new buildings without the tap.

55. While there is existing water service to the Church, the existing water service provides insufficient water pressure to support its fire-suppression system. Pursuant to the Fire Code, Grace could not occupy the new facilities until that fire suppression system was fully operational and the County inspected, approved, then provided a Certificate of Compliance permitting the building to be occupied.

56. In other words, the District's imposition of its tax-like fee scheme substantially burdened Grace's free exercise of religion by preventing Grace from occupying its new office building—the locus of its local and international religious ministries—unless and until it paid a share of the total capital cost of the District's existing centralized facilities. *See Elrod v. Burns*, 427 U.S. 347, 373 (1976) (“The loss of First Amendment freedoms, for even minimal periods of time, unquestionably constitutes irreparable injury.”).

57. In August 2023, Grace informed the District of this issue, and indicated its willingness to pay the actual cost to begin installation of the tap to allow Grace to complete construction and occupy the Church, while allowing the District to reserve the right to impose additional fees if the parties or a court determined that any additional fees were lawful.

58. The District refused.

59. Rather, the District, recognized its leverage and ability to prevent the completion and use of the Church, and insisted that Grace pay these unlawful taxes as a condition to occupy the Church.

60. To complete, occupy, and use the new facilities for its intended religious exercise, Grace had no choice but to accede to the District's demands under protest. And in September 2023, in order to have the tap installed to permit the use and occupancy of the new facilities, Grace paid the latest tap fee quoted by the District of \$83,780, making clear that the payment was under protest and duress.

61. Grace now seeks the return of these unlawful taxes disguised as fees along with the costs and fees to bring this suit.

V.

CAUSES OF ACTION

COUNT I

Declaratory Judgment

62. Grace incorporates by reference the above paragraphs as if fully set forth herein.

63. Under Chapter 37 of the Texas Civil Practice and Remedies Code, a person whose rights are affected by government action “may have determined any question of construction or validity arising under the instrument, statute, ordinance, contract, or franchise and obtain a declaration of rights, status, or other legal relations thereunder.” TEX. CIV. PRAC. & REM. CODE § 37.004.

64. And a party that pays unlawful taxes or fees to a governmental entity under duress may recover those fees through a claim for declaratory or injunctive relief. *See Dallas County*

Cnty. College Dist. v. Bolton, 185 S.W.3d 868, 876–79 (Tex.2005); *see also Camacho v. Samaniego*, 954 S.W.2d 811, 822 (Tex. App.— El Paso 1997, pet. denied).

65. There is a real and substantial justiciable controversy between the District and Grace concerning the District’s imposition of unlawful fees and taxes.

66. Accordingly, Grace seeks the following declarations of rights.

A. The District’s Tap Fee Against Grace Is An Unlawful Tax.

67. The tap fee imposed by the District is an unlawful tax to the extent it exceeds the actual cost to the District to install the tap.

68. Governmental entities, including the District, are prohibited from levying property taxes on “religious organization[s].” TEX. TAX CODE § 11.20(a). Any fees or charges meant to recover lost taxes or designed to achieve the same ends as taxes are taxes. *See Lower Colo. River Auth. v. Chem. Bank & Tr. Co. (“LCRA”)*, 185 S.W.2d 461 (Tex. App.—Austin 1945), *aff’d*, 190 S.W.2d 48, 49 (Tex. 1945) (holding that fees to property owners designed to achieve the same ends “as if such properties . . . had remained on the tax rolls” were impermissible taxes). Ultimately, Texas law is clear: if the “primary purpose of the fee is the raising of revenue, then the fee is a tax, regardless of the name given to the fee.” *Gatesco Q.M. Ltd. v. City of Houston*, 503 S.W.3d 607, 616 (Tex. App.—Houston [14th Dist.] 2016, no pet.). And any fee that exceeds the cost of regulation or government action is intended to raise revenue. *City of Houston v. Harris Cnty. Outdoor Advertising Ass’n*, 879 S.W.2d 322, 329 (Tex. App.—Houston [14th Dist.] 1994, pet. denied) (finding permit fees against billboard owners constituted a tax because they generated revenue four times the cost).

69. The tap fee imposed by the District on its face exceeds the cost of government action here—the installation of the tap. Indeed, one iteration of the tap fee was equivalent to fifteen

years of taxes and the last iteration exceeds what Grace would pay in taxes over seven years if Grace were not a tax-exempt entity.

70. Therefore, the tap fee constitutes an impermissible tax.

71. The District and its Directors acted without legal or statutory authority in imposing this tax disguised as a tap fee, and Grace is entitled to a refund of the disputed amount.

72. Further, the District's tax-fee scheme is arbitrary. Over the course of seven months, the District has insisted that Grace pay \$61,500, the curiously specific amount of \$147,938.85, \$61,500 again, and, finally, \$83,780 to install the water tap. In each instance, the District provided a different calculation predicated on some formula meant to generate revenue to recover its capital costs—to justify its tax-fee scheme. Grace can have no confidence that the current water tap fee as billed is the correct calculation of the tax-fee scheme, nor can Grace confidently conclude, absent intervention by this Court, that the District will not change its mind yet again and impose yet another fee in lieu of taxes against Grace now or at some point in the future.

73. Accordingly, Grace requests a declaration that the tap fee imposed by the District and paid by Grace is an unlawful tax to the extent it exceeds the actual cost to the District to install the tap, and Grace seeks a refund of its payment made under protest and duress.

B. The Tap Fee Is Unlawful Under Texas Water Code § 49.212(d)(2)(B).

74. The tap fee imposed by the District is unlawful and impermissible under Section 49.212(d)(2)(B) of the Texas Water Code.

75. The District contends that 49.212(d)(2)(B) of the Texas Water Code permits it to impose a tap fee of \$83,780 unrelated to any actual cost of installing the tap. The District calculates this fee by taking the total capital cost of the District's system financed by bonds since 1970,

\$23,450,542.00, multiplied by the portion of that system’s capacity the District expects the Church to use, 00.3%.

76. Texas Water Code Section 49.212(d)(2)(B), permits the District to recover “actual costs . . . for facilities that are necessary to provide district services” to a nontaxable entity, such as Grace, “that are financed or are to be financed in whole or in part by tax supported or revenue bonds.” TEX. WATER CODE ANN. § 49.212(d)(2)(B). Accordingly, Section 49.212(d)(2)(B) permits only the recovery of actual costs that the District incurs that were necessitated by providing service specifically to the Church and that would need to be financed by tax supported bonds.

77. For example, if the District was required to upgrade its facilities to accommodate including the Church in the District’s system, Section 49.212(d)(2)(B) may permit the District to recover the actual cost of those upgrades from the Church.

78. Yet the District has not and does not need to incur any additional costs as a result of the inclusion of the Church in the District’s system other than the tap itself. Indeed, even the District acknowledges that the Church will use less than 00.3% of the District’s system capacity.

79. And the District’s fee calculation is expressly based on all capital costs incurred by the District *since 1970*. The District cannot reasonably contend that costs incurred in 1970 or even 2018—the most recent costs identified by the District on which it bases its fees—were necessitated by Grace’s request for a tap at the Church in 2022.

80. Moreover, even if Section 49.212(d)(2)(B) permitted the recovery of a fee for past costs not necessitated by the Church, it permits only the recovery of costs “that *are* financed or *are to be* financed” by tax-supported revenue bonds. TEX. WATER CODE ANN. § 49.212(d)(2)(B) (emphasis added). Yet the District’s fee calculation shows that nearly all of the costs (83%) on which it is based *were* financed through tax-supported revenue bonds that have long been paid.

Indeed, some of those bonds were fully paid back in 1985. Even though most of the costs have been long recovered from the District's taxpayers, the District imposed its fee as a means to recoup them again through Grace Church.

81. Accordingly, the fee imposed by the District is not permitted under Section 49.212(d)(2)(B).

82. The District acted without legal or statutory authority in imposing the tap fees, and Grace is entitled to a refund of those fees to the extent they exceed the actual cost to install the tap.

83. Consequently, Grace requests a declaration that the tap fee imposed by the District and paid by Grace is not authorized by Section 49.212(d)(2)(B) of the Texas Water Code to the extent it exceeds the actual cost to the District to install the tap, and that Grace is entitled to a refund of its payment made under protest and duress.

COUNT II

Declaratory Judgment Under the Texas Religious Freedom Restoration Act

84. Grace incorporates by reference the above paragraphs as if fully set forth herein.

85. TRFRA applies to any act of any governmental authority and each law of this state and ensures that "a government agency may not substantially burden a person's free exercise of religion [unless it] demonstrates that the application of the burden to the person . . . is in furtherance of a compelling governmental interest [and] is the least restrictive means of furthering that interest." TEX. CIV. PRAC. & REM. CODE §§ 110.003(a)–(b).

86. By imposing an exorbitant tap fee—one that embedded fees unrelated to installation costs or any other costs incurred by the District—as a condition of providing basic services to the Church, the District and its Directors violated TRFRA.

87. Indeed, even if that tap fee is somehow permitted (it is not) under Section 49.212(d)(2)(B) of the Texas Water Code, then Section 49.212(d)(2)(B) violates TRFRA. *See* TEX. CIV. PRAC. & REM. CODE ANN. § 110.002(c) (applying TRFRA to “each law of this state”).

88. The District’s tap fee violates TRFRA because it places a real and substantial burden on Grace’s and its members’ free exercise of religion.

89. The District’s fee forces Grace into a difficult zero-sum decision, as paying the District’s tap fee takes money away from ministries that Grace would otherwise provide. The tap fee thus restricts Grace’s ability to provide services tied to the central tenants of Grace’s and its members’ faith, such as evangelism and serving the community in God’s name, resulting in a negative impact on Grace’s and its members’ ability to freely exercise their religion.

90. That burden is unlawful, and the District cannot show a compelling governmental interest for it.

91. First, the District’s justification (*i.e.*, the purported compelling interest) for imposing its tax-fee scheme against Grace is in direct conflict with the announced interest of the State of Texas to relieve religious institutions from the very burden the District now seeks to impose against Grace. On that basis alone, the District fails to articulate a compelling interest in violating the state’s policy against efforts by governmental entities like the District to recover fees in lieu of taxes against tax-exempt, religious institutions like Grace.

92. Regardless, the only basis the District has provided for the tap fee is that it prevents taxpayers from bearing the burden of paying taxes on the bonds issued to construct water, sewer, and drainage facilities that also serve the Church. Yet, as noted previously, Grace is willing to pay for any actual costs to install the tap, and the District is not constructing or improving any other water, sewer, and drainage facilities to serve the Church. Therefore, this interest is not implicated

here, and imposing the District’s tap fee does not further that interest. *See Gonzales v. O Centro Espirita Beneficente Uniao do Vegetal*, 546 U.S. 418, 431 (2006) (assessing claims of a compelling interest requires courts to look “beyond broadly formulated interests justifying the general applicability of government mandates and scrutinize[] the asserted harm of granting specific exemptions to particular religious claimants”); *see also Barr v. City of Sinton*, 295 S.W.3d 287 (Tex. 2009).

93. Nor is the fee imposed by the District—calculated as a portion of the total capital cost of all the District’s facilities since 1970—the least restrictive means of achieving that end. Rather, to prevent the taxpayers from bearing the burden of paying taxes to construct facilities necessitated by service to the Church, the District could simply request direct reimbursement from the Church for those costs as they are incurred. *See Burwell v. Hobby Lobby Stores, Inc.*, 573 U.S. 682, 728 (2014) (“The least-restrictive-means standard is exceptionally demanding” and requires the government to show “that it lacks other means of achieving its desired goal without imposing a substantial burden on the exercise of religion”).

94. Accordingly, Grace requests a declaration that the District’s tap fee violates TRFRA. And to the extent this Court finds that the District’s tap fee is authorized by Section 49.212(d)(2)(B) of the Texas Water Code, Grace seeks a declaration that Section 49.212(d)(2)(B) violates TRFRA.

95. And because the District’s tap fee violates TRFRA, Grace further seeks a refund of its payment made under protest and duress.

COUNT III

First and Fourteenth Amendments — Free Exercise Clause

96. Grace incorporates by reference the above paragraphs as if fully set forth herein.

97. This claim is brought pursuant to 42 U.S.C. § 1983, which authorizes a cause of action against any government official who deprives a person of a constitutional right while acting under the color of state law.

98. The District Defendants are persons for the purposes of § 1983 and was acting under the color of state law at all relevant times alleged herein.

99. The Free Exercise Clause of the First Amendment, made applicable to the states through the Fourteenth Amendment, prohibits any state action abridging the free exercise of religion.

100. State action that substantially burdens religion in a manner that is not generally applicable or neutral to religious exercise is subject to strict scrutiny. *See Fulton v. City of Philadelphia*, 141 S. Ct. 1868, 1877 (2021).

101. Government action lacks general applicability if it involves the government making “individualized” assessments and retaining “sole discretion” over the enforcement of a law. *Id.* at 1877–78.

102. Also, government action is neither neutral nor generally applicable if it “treat[s] any comparable secular activity more favorably than religious exercise.” *Tandon v. Newsom*, 141 S. Ct. 1294, 1296 (2021).

103. The District’s tap fee violates the First Amendment’s Free Exercise Clause because it places a real and substantial burden on Grace’s and its members’ free exercise of religion.

104. The District’s fee forces Grace into a difficult zero-sum decision, as paying the District’s tap fee takes money away from ministries that Grace would otherwise provide. The tap fee thus restricts Grace’s ability to provide services tied to the central tenants of Grace’s and its

members' faith, such as evangelism and serving the community in God's name, resulting in a negative impact on Grace's and its members' ability to freely exercise their religion.

105. The District's tap fee is not neutral because it treats comparable secular activities more favorably than Grace's religious activities. Specifically, the District charges commercial entities \$61,500 for a water tap fee, but it required Grace to pay \$83,780 because of its status as a religious entity.

106. The District's tap fee is also not generally applicable because it is based upon an individualized assessment of Grace's anticipated use of the District's water system's capacity. Further, the District retains the sole discretion to determine its tap fees, as demonstrated by the four arbitrary quotes Grace received from the District.

107. The District's tap fee fails strict scrutiny.

108. The District's justification (*i.e.*, the purported compelling interest) for imposing its tax-fee scheme against Grace is in direct conflict with the announced interest of the State of Texas to relieve religious institutions from the very burden the District now seeks to impose against Grace. On that basis alone, the District fails to articulate a compelling interest in violating the state's policy against efforts by governmental entities like the District to recover fees in lieu of taxes against tax-exempt, religious institutions like Grace.

109. Regardless, the only basis the District has provided for the tap fee is that it prevents taxpayers from bearing the burden of paying taxes on the bonds issued to construct water, sewer, and drainage facilities that also serve the Church. Yet, as noted previously, Grace is willing to pay for any actual costs to install the tap, and the District is not constructing or improving any other water, sewer, and drainage facilities to serve the Church. Therefore, this interest is not implicated here, and imposing the District's tap fee does not further that interest. *See Gonzales*, 546 U.S. at

431 (assessing claims of a compelling interest requires courts to look “beyond broadly formulated interests justifying the general applicability of government mandates and scrutinize[] the asserted harm of granting specific exemptions to particular religious claimants”); *see also Barr*, 295 S.W.3d at 306.

110. Nor is the fee imposed by the District—calculated as a portion of the total capital cost of all the District’s facilities since 1970—the least restrictive means of achieving that end. Rather, to prevent the taxpayers from bearing the burden of paying taxes to construct facilities necessitated by service to the Church, the District could simply request direct reimbursement from the Church for those costs as they are incurred. *See Hobby Lobby*, 573 U.S. at 728 (“The least-restrictive-means standard is exceptionally demanding” and requires the government to show “that it lacks other means of achieving its desired goal without imposing a substantial burden on the exercise of religion”).

111. Accordingly, Grace requests a declaration that the District’s tap fee violates the Free Exercise Clause. And to the extent this Court finds that the District’s tap fee is authorized by Section 49.212(d)(2)(B) of the Texas Water Code, Grace seeks a declaration that Section 49.212(d)(2)(B) violates the Free Exercise Clause.

112. And because the District’s tap fee violates the Free Exercise Clause, Grace further seeks a refund of its payment made under protest and duress.

VII.

REQUEST FOR PERMANENT INJUNCTION

113. Grace incorporates by reference the above paragraphs as if fully set forth herein.

114. Grace has a probable right to recovery for the claims asserted in this pleading. Additionally, the harm that will result if a permanent injunction is not ordered is irreparable

because Grace cannot be compensated for the harm solely with money damages. Without an injunction, the District will be able to impose unlawful taxes under the guise of fees on Grace and any other religious institution, subjecting them to additional injury.

115. As a direct and proximate result of the District's wrongful actions and planned future wrongful actions as alleged in this pleading, Grace's free exercise of religion has been burdened and will continue to be burdened. Injunctive relief is the proper remedy for the infringement of Grace's religious liberties.

116. Grace also has no other adequate remedy at law to prevent this irreparable injury.

117. For the reasons stated in this pleading, Grace requests that, after a trial on the merits, this Court issue a permanent injunction prohibiting the District from imposing the tap fee or any other fee that exceeds the cost of services provided and ordering the refund of the tap fee already paid by Grace under protest and duress.

VII.

ATTORNEYS' FEES

118. Grace seeks the recovery of all reasonable attorneys' fees under Sections 37.009 and 110.005(a) of the Texas Civil Practice & Remedies Code and 42 U.S.C. § 1988(b).

VI.

REQUEST FOR JURY TRIAL

119. Pursuant to Rule 216 of the Texas Rules of Civil Procedure, Grace requests a jury trial.

PRAYER

For the above reasons, Grace respectfully requests that it be awarded:

1. A declaration that the tap fee imposed by the District and paid by Grace is an unlawful tax and not authorized by Section 49.212(d)(2)(B) of the Texas Water Code to the extent it exceeds the actual cost to the District to install the tap of rights as set forth above;
2. A declaration that the acts of the District in imposing this fee violate TRFRA, or, alternatively, a declaration that Section 49.212(d)(2)(B) of the Texas Water Code violates TRFRA;
3. A declaration that the acts of the District in imposing this fee violate the Free Exercise Clause of the First Amendment;
4. A refund of the payment made by Grace to the District under protest and duress;
5. A permanent injunction enjoining the District from imposing fees on tax-exempt organizations in excess of the actual costs of services provided;
6. Reasonable and necessary attorneys' fees and costs of court; and
7. Such other and further relief as this Court may deem just and proper.

Dated: November 15, 2023

Respectfully Submitted,

KING & SPALDING LLP

/s/ Craig A. Stanfield

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***Attorneys for Plaintiff Grace Community
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EXHIBIT A

Capital Recovery Fee Calculation
July 2023

Bond Issue No.	Item	Cost	Notes
1970	Water Plant No. 1, WWTP and on-site Lift Station	\$ 1,650,000	
	Interest Rate 8.70286% at 15 years	\$ 1,950,490	
1972	Water Plant No. 1, WWTP and on-site Lift Station	\$ 240,000	
	Interest Rate 4.95333% at 19 years	\$ 139,500	
1987	Sewage Treatment Plant Expansion	\$ 125,250	
	Water Plant Modifications	\$ 40,000	
	Contingencies	\$ 16,525	10%
	Engineering	\$ 18,178	11%
	Non-Construction Costs	\$ 17,930	% of projects
	Interest Rate 8.3126% at 13 years	\$ 234,692	
1993	Dechlorination at WWTP	\$ 35,945	
	Contingencies	\$ 3,285	9%
	Engineering	\$ 4,313	12%
	Non-Construction Costs	\$ 4,193	% of project
	Interest Rate 5.5669% at 10 years	1,405,982	
1998	Water Plant No. 2	\$ 1,120,000	
	WWTP Upgrades	\$ 625,000	
	Contingencies	\$ 165,775	9.5%
	Engineering	\$ 261,750	15%
	Non-Construction Costs	\$ 289,605	% of projects
	Interest Rate 4.7231% at 15 years	\$ 463,261	
2004	Bond Refunding Interest Rate 3.641286% at 11 years	\$ 478,395	refunded 1993 bonds
2009	Water Plant No. 3	\$ 3,920,028	
	WWTP Rehab and Modifications	\$ 5,409,600	
	Less Impact Fees	\$ (1,322,824)	
	Less WWTP Participant Shares	\$ (1,286,532)	
	Non-Construction Costs	\$ 807,728	
	Interest Rate 5.274049% at 5 years	\$ 1,587,689	
2012	Bond Refunding Interest Rate 2.501521% at 3 years	\$ 167,069	refunded 2004 bonds
2016	Bond Refunding Interest Rate 3.454333% at 5 years	\$ 888,382	refunded 2009 bonds
2018	Elevated Tank 2	\$ 1,800,000	
	Contingencies	\$ 360,000	20%
	Engineering	\$ 270,000	15%
	Land Costs for Elevated Tank 2	\$ 242,875	
	Less Impact Fees	\$ (1,000,000)	
	Non-Construction Costs	\$ 289,814	% of project
	Interest Rate 2.955054% at 14 years	\$ 1,311,231	
2021	Bond Refunding Interest Rate 1.683137% at 16 years	\$ 715,412	refunded 2012, 2016 bonds
		\$ 23,450,542	Total Capital Cost
		5878	Current System ESFCs
		\$ 3,990	Cost per ESFC
		21	ESFCs requested
		\$ 83,780	Capital Recovery Fee

Notes:

1. Calculated per Texas Water Code §49.212(d)(2)(D).
2. Non-Construction costs include fees for legal services, financial advisor services, bond discount, capitalized interest, administration expenses, TCEQ bond issuance fee, Texas Attorney General fee, bond application report costs, and contingency.

Reference Documents

RESOLUTION AUTHORITY
WATERWORKS AND SEWER SYSTEM COMBINATION UNL...
AND REVENUE BONDS, SERIES 1970, PRESCRIBING THE TERMS
AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAY-
MENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF;
AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

COPY

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT NO. 2 OF MONTGOMERY COUNTY, TEXAS:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: AUTHORITY FOR THE DISTRICT. Montgomery County Fresh Water Supply District No. 2 of Montgomery County, Texas (the "District") is organized pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution and Chapter 4, Title 128, Revised Civil Statutes of Texas, together with all amendments thereof and additions thereto (the "Act").

SECTION 1.02: PURPOSES OF THE DISTRICT. The purposes of the creation of the District were to:

- (a) conserve, transport and distribute fresh water from lakes, pools, reservoirs, wells, springs, creeks and rivers for domestic and commercial purposes; and
- (b) purchase, construct, acquire, own, operate, repair, improve and extend a sanitary sewer system for the collection, transportation, processing, disposal and control of all domestic, industrial and communal wastes.

SECTION 1.03: POWERS OF THE DISTRICT. The District is authorized by the Act to:

- (a) build, construct, complete, carry out, maintain, and in case of necessity add to and rebuild, all works and

to accomplish any plan of conservation, transportation and distribution of fresh water adopted for and on behalf of the District; and

- (b) purchase, construct, acquire, own, operate, repair, improve and extend sanitary sewer systems for the collection, transportation, processing, disposal and control of all domestic, industrial and communal wastes.

SECTION 1.04: AUTHORITY OF THIS RESOLUTION: The District is authorized by the Act to issue bonds for the purpose of constructing a plant and improvements necessary to carry out the purposes of the creation of the District, and to pay all costs and charges incident thereto.

SECTION 1.05: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set out in this Article One are true and correct;
- (b) the creation of the District was confirmed at an election held on October 5, 1968;
- (c) at elections held on December 7, 1968, April 19, 1969 and October 18, 1969, the District was authorized to issue the bonds of the District in the maximum amount of \$2,500,000 for the purposes of the purchase and construction of a waterworks and sanitary sewer system for the District and the construction of additions thereto, said bonds to be payable from ad valorem taxes and to be secured by a pledge of the net revenues from the operation of the District's waterworks and sanitary sewer system after deduction

- of such system;
- (d) the elections described in Paragraphs (b) and (c) hereof were called and held under and in strict conformity with the Constitution and laws of the State of Texas, and the Board of Supervisors has heretofore officially declared the results of said elections and declared that the District was legally created and authorized to issue the bonds described in Paragraph (c);
- (e) the District is in an urban area near the City of Houston, is being developed for residential purposes and there is not available within the District an adequate waterworks or sanitary sewer system and the health and welfare of the present and future inhabitants of the District and of the areas adjacent thereto require the acquisition and construction of an adequate waterworks system and sanitary sewage collection and disposal system;
- (f) the Series 1970 Bonds should be issued to purchase and construct a waterworks and sanitary sewer system;
- (g) the District has been authorized to levy taxes, and the taxes to be collected together with the net revenues from the operation of the District's waterworks and sanitary sewer system to be constructed or acquired will be sufficient to pay the principal of the Bonds as it matures and the interest thereon as it accrues.

(h) subject to the provisions of Article Nine hereof, the Board of Directors reserves the right to issue the remaining \$850,000 bonds which were voted on December 7, 1968, April 19, 1969 and October 18, 1969, in one or more series at a future date or dates when, in the Board's judgment, such amounts are required for the authorized purposes.

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section 2.01 for all purposes of this Resolution, except Article Five and any resolution amendatory or supplemental hereto, shall have the respective meanings specified:

Act.

The term "Act" shall mean Chapter 4, Title 128, Texas Revised Civil Statutes and all amendments thereof and additions thereto.

Additional Bonds.

The term "Additional Bonds" shall mean the additional bonds which will be payable from a combination of an unlimited tax and the Net Revenues which the District expressly reserves the right to issue in Section 9.01 of this Resolution which will be payable from and equally secured by a pledge of the Net Revenues on a parity with the pledge thereof to the Bonds and any Additional Bonds which may be issued in the future. When used in the proper context, Additional Bonds may include Refunding Bonds.

Annual Debt Service.

The term "Annual Debt Service" shall mean, as of particular date of computation and with respect to a particular calendar year and Bonds, or Additional Bonds of a particular series, an amount of money equal to the aggregate of all interest payable during such calendar year on all bonds of said series outstanding on said date, plus all Principal Installments payable during such calendar year with respect to all bonds of said series outstanding on said date of computation, all calculated on the assumption that the bonds of said series will, after said date of computation, cease to be outstanding by reason of the payment when due and the application thereof in accordance with the resolution or resolutions authorizing the Additional Bonds of principal installments payable at or after said date of computation with respect to the bonds of said series.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, debentures or other evidences of indebtedness which are now or hereafter authorized by law for the investment of funds of fresh water supply districts or interest-bearing time deposits, either or both.

Average Annual Debt Service Requirements.

The term "Average Annual Debt Service Requirements" shall mean, as of any particular date of computation, the aggregate of the Annual Debt Service on each series of Bonds, and Additional Bonds divided by the number of years from the date of computation to the date the last outstanding Bond or Additional Bond at the time of computation matures. For purposes of this computation a fraction of a year will be considered a full year.

Board of Supervisors.

The term "Board of Supervisors" or "Board" shall mean the governing body of the District.

Bond Fund.

The term "Bond Fund" shall mean the District's interest and sinking fund for the benefit of the Bonds and Additional Bonds, if any, which is designated the Bond Fund and created and established in Section 7.01 of the Resolution.

Bondholders.

The term "Bondholders" shall mean the bearers of any Bonds. Any reference to a particular percentage or portion of the Bondholders shall mean the bearers at the particular time of the specified percentage or portion in the aggregate principal amount of all Bonds then outstanding, exclusive of Bonds held by the District.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or all Bonds, as the case may be, of the issue of \$1,650,000 Montgomery County Fresh Water Supply District No. 2 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1970, dated March 1, 1970, authorized and issued pursuant to this Resolution.

Bond Redemption Fund.

The term "Bond Redemption Fund" shall mean the fund so designated which the District reserves the right to create in Section 7.06 into which Sinking Fund Payments may be made in the future.

Certified Public Accountant.

The term "Certified Public Accountant" shall mean any certified public accountant or certified public accountants or accounting corporation of recognized experience and qualifications not regularly in the employ of the District, selected by the District.

Construction Fund.

The term "Construction Fund" shall mean the fund so designated which is created and established in 7.01 of the Resolution.

Coupons.

The term "Coupon" or "Coupons" shall mean any interest coupon or all interest coupons, as the case may be, appertaining to the Bonds.

Depository.

The term "Depository" shall mean the bank or banks which the District may select from time to time as its depository or depositories.

District.

The term "District" shall mean Montgomery County Fresh Water Supply District No. 2 of Montgomery County, Texas, and any other public agency succeeding to the powers, rights, privileges and functions of the District and, when appropriate, the Board of Directors of the District.

Fiscal Year.

The term "Fiscal Year" shall mean the twelve-month fiscal year period of the District, which is currently the twelve-month period beginning October 1, but which may be changed from time to time by the Board.

Gross Revenues.

The term "Gross Revenues" shall mean the gross revenues received from the operation of the System (as same is purchased, constructed or otherwise acquired), except that part thereof derived from contracts with persons, corporations, municipal corporations, political subdivisions or other entities, which under the terms of the authorizing resolution may be pledged for the requirements of the District's revenue bonds issued particularly to finance the water and/or sewer facilities needed in performing any such contract to the extent, and only to the extent, necessary (1) to pay for the administration, efficient operation and adequate maintenance of such water and/or sewer facilities, (2) to pay the principal or redemption price of and interest on bonds issued to purchase, construct, improve, extend, replace, enlarge or repair such water and/or sewer facilities, and (3) to establish and maintain any reserve fund, contingency fund or any other fund or funds created in the resolution authorizing the issuance of the bonds described in (2) above as required by the resolution authorizing their issuance.

of operating, maintaining, repairing, improving or extending the District's System.

Net Revenues.

The term "Net Revenues" shall mean the Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

Operating Reserve.

The term "Operating Reserve" shall mean the reserve for Maintenance and Operation Expenses equal to two (2) months' average Maintenance and Operation Expenses of the System which the District is required to maintain in the System Fund before making any of the transfers required or permitted by the Resolution.

Paying Agent.

The term "Paying Agent" shall mean the Chemical Bank & Trust Company, Houston, Texas, or its successor which is authorized to pay the principal and interest on any of the Bonds on behalf of the District.

Principal Installment.

The term "Principal Installment" shall mean, as of any particular date of computation and with respect to Bonds or Additional Bonds of a particular series, an amount of money equal to the aggregate of (1) the principal amount of Bonds or Additional Bonds of said series which mature on a single future date, reduced by the aggregate principal amount of such Bonds or Additional Bonds which would at or before said future date be retired by reason of the payment when due and applicable in accordance with the Resolution or the resolutions authorizing Additional Bonds of Sinking Fund Payments payable at or before said future date

future date for the retirement of any Bonds or Additional Bonds of said series, and said future date is deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

Refunding Bonds.

The term "Refunding Bonds" shall mean the bonds which the District reserves the right to issue in Section 9.04 of the Resolution for the purpose of Refunding Bonds, Additional Bonds or previously issued Refunding Bonds.

Reserve Fund.

The term "Reserve Fund" shall mean the fund so designated which is created and established as a reserve fund for the Bonds and Additional Bonds in Section 7.01 of the Resolution.

Resolution.

The term "Resolution" shall mean the bond resolution or any amendment thereof or supplement thereto.

Sinking Fund Payment.

The term "Sinking Fund Payment" shall mean any annual payment required by a resolution or resolutions authorizing the issuance of Additional Bonds for redemption of Additional Bonds prior to their maturity.

System.

The term "System" shall mean the plants, facilities and improvements comprising the waterworks and sanitary sewer system of the District which will be hereafter purchased, constructed or otherwise acquired, together with any additions or extensions thereto,

or improvements and replacements thereof, except the water and sewer facilities which the District may purchase or acquire with the proceeds of sale of bonds payable solely from the proceeds of a contract or contracts with other persons, corporations, municipal corporations, political subdivisions or other entities as long as such bonds are outstanding.

System Fund.

The term "System Fund" shall mean the District's maintenance fund which is designated the System Fund and is created and established in Section 7.01 of this Resolution.

SECTION 2.02: INTERPRETATIONS. The table of contents, titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds herein authorized and the validity of the taxes levied in payment thereof and the validity of the lien on and pledge of the revenues from which the Bonds are payable.

ARTICLE THREE

AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the District to be known and designated as Montgomery County Fresh Water Supply District No. 2 Waterworks and Sanitary Sewer Combination Unlimited Tax and Revenue Bonds, Series 1970, shall be issued in the aggregate principal amount of One Million Six Hundred Fifty Thousand Dollars (\$1,650,000) for the purpose of the purchase and construction of a waterworks and sewer system for the District

and the construction of all provisions thereof, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, and the Act.

SECTION 3.02: DATE, DENOMINATION, INTEREST RATES AND MATURITIES.

The Bonds shall be in coupon form, shall be dated March 1, 1970, shall be numbered consecutively from 1 upward in order of their maturities, shall be in the denomination of \$5,000 each, shall mature serially in their numerical order and in the respective principal amounts on the respective maturity dates and bear interest from their date at the respective rates per annum set forth below:

<u>Bond Numbers (both incl.)</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
1 - 10	\$ 50,000	March 1, 1975	7.50%
11 - 21	55,000	March 1, 1976	7.50%
22 - 33	60,000	March 1, 1977	7.75%
34 - 46	65,000	March 1, 1978	7.75%
47 - 61	75,000	March 1, 1979	8.00%
62 - 77	80,000	March 1, 1980	8.00%
78 - 95	90,000	March 1, 1981	8.10%
96 - 115	100,000	March 1, 1982	8.25%
116 - 135	100,000	March 1, 1983	8.25%
136 - 155	100,000	March 1, 1984	8.30%
156 - 180	125,000	March 1, 1985	8.40%
181 - 205	125,000	March 1, 1986	8.50%
206 - 235	150,000	March 1, 1987	8.50%
236 - 265	150,000	March 1, 1988	8.50%
266 - 295	150,000	March 1, 1989	8.50%
296 - 330	175,000	March 1, 1990	8.50%

SECTION 3.03: INTEREST PAYMENT DATES; MEDIUM AND PLACE OF

PAYMENT. The interest on the Bonds shall be evidenced by interest coupons which shall be payable on September 1, 1970 and semiannually thereafter on March 1 and September 1 of each year until their maturity or redemption date. The Bonds and the Coupons shall be payable, without exchange or collection charges to the bearers thereof, in any coin or currency of the United States of America which on the respective dates of payment is legal tender for the

payment of bonds and the United States of America. Upon their respective presentation and surrender as they respectively become due or at their earlier redemption date at the principal office of the Paying Agent.

SECTION 3.04: EXECUTION OF BONDS, INTEREST COUPONS AND CERTIFICATES. The Bonds shall be signed by the President and attested by the Secretary of the Board of Supervisors by their lithographed or printed facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The interest Coupons attached to the Bonds shall also be executed by the lithographed or printed facsimile signatures of the President and Secretary. The facsimile signatures on the Bonds and Coupons shall have the same effect as if each of the Bonds and Coupons had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. The registration certificate of the Comptroller of Public Accounts of the State of Texas, which is to be printed upon the back of each of the Bonds, shall be manually subscribed, and the official seal of the Comptroller shall be impressed or placed in facsimile upon each of the Bonds.

SECTION 3.05: OWNERSHIP OF BONDS. The District, the Paying Agent or any other person may treat the bearer of any Bond and the bearer of any Coupon as the absolute owner of such Bond or Coupon, as the case may be, for the purpose of making payments thereof and for all other purposes, and neither the District nor the Paying Agent shall be bound by any notice or knowledge to the contrary, whether or not such Bonds shall be overdue. All payments of, or on account of, the interest to any bearer of any Bonds and all payments

of, or on account of, principal to any bearer of any Bonds, shall be valid and effectual and shall be a discharge of the District and of the Paying Agent, irrespective of the liability upon the Bonds or Coupons or claims for interest, as the case may be, to the extent of the sums paid.

SECTION 3.06: CANCELLATION OF BONDS OR COUPONS PAID. All Bonds and all Coupons surrendered to the District or to the Paying Agent for the purpose of payment or redemption shall be cancelled, and no Bonds or Coupons shall be issued in lieu thereof except as expressly permitted by any other provisions of this Resolution.

SECTION 3.07: MUTILATED, LOST, DESTROYED OR WRONGFULLY TAKEN BONDS OR COUPONS. If the owner of any Bond or any Coupon claims that such Bond or Coupon has been mutilated, lost, destroyed, or wrongfully taken, the District shall, under the applicable provisions of Section 8.405, Tex. Bus. and Comm. Code and Article 715a, Texas Revised Civil Statutes, as presently existing or as may hereafter be amended, execute a new Bond or Coupon of like tenor and date in exchange or substitution for the mutilated Bond or Coupon or in lieu of and in substitution for the Bond or Coupon so lost, destroyed or wrongfully taken.

ARTICLE FOUR

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: REDEMPTION OF BONDS. The Bonds maturing in the years 1975 to 1985 are not redeemable prior to their maturity, except with the consent of the bearers thereof. The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 1986, prior to their scheduled maturities, in whole or from time to time in part, in inverse numerical order, on March 1, 1985, or on any interest payment

date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest on the bonds called for redemption to the date fixed for redemption.

SECTION 4.02: NOTICE OF REDEMPTION. Notice of each exercise of a reserved right of redemption identifying the Bonds to be redeemed shall be given at least thirty (30) days prior to the date fixed for redemption by giving written notice to the Paying Agent and by publishing notice one (1) time in a financial journal or publication of general circulation in the United States of America. By the date fixed for redemption, due provision shall be made with the Paying Agent for the payment of the Bonds so redeemed, plus accrued interest to the date fixed for redemption. When such Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the right of the bearers to collect interest which would otherwise accrue after the redemption date of the Bonds called for redemption shall terminate on the date fixed for redemption.

ARTICLE FIVE

FORM OF BONDS, COUPONS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and permitted by this Resolution:

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF MONTGOMERY

MONTGOMERY COUNTY FRESH WATER SUPPLY
DISTRICT NO. 2 WATERWORKS AND SANITARY
SEWER COMBINATION UNLIMITED TAX AND REVENUE BOND
SERIES 1970

MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT NO. 2, a conservation and reclamation district, a body politic and corporate and a governmental agency created under the Constitution and laws of the State of Texas, situated in Montgomery County, Texas (herein the "District"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO BEARER ON THE FIRST DAY OF MARCH, 19___, the principal sum of

FIVE THOUSAND DOLLARS

(\$5,000) and to pay interest thereon at the rate of _____ per cent (%) per annum, interest payable September 1, 1970 and semi-annually thereafter on March 1 and September 1 of each year until the principal sum hereof shall have been paid. Both principal of and interest on this Bond shall be payable, without exchange or collection charges to the bearer hereof, in any coin or currency of the United States of America, which on the respective dates of payment is legal tender for the payment of debts due the United States of America, upon their respective presentation and surrender as they become due or at their earlier redemption date, at the principal office of the Chemical Bank & Trust Company, Houston, Texas (herein the "Paying Agent").

THE DATE OF THIS BOND, in conformity with the Resolution authorizing the issuance of the Series of Bonds of which this Bond is a part (herein the "Resolution"), IS MARCH 1, 1970.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating One Million Six Hundred Fifty Thousand Dollars (\$1,650,000), issued

for the purpose of the purchase and construction of a waterworks and sanitary sewer system and the construction of additions thereto for said District, and by authority of elections held on December 7, 1968, April 19, 1969 and October 18, 1969, and pursuant to the Resolution, all under and in strict conformity with the Constitution and laws of the State of Texas, particularly Chapter 4, Title 128, Texas Revised Civil Statutes, as amended.

The Bonds of this issue maturing in the years 1975 through 1985 are not redeemable prior to their maturity. The District reserves the right, at its option, to redeem the Bonds of this issue maturing in the years 1986 through 1989 prior to their scheduled maturities, in whole or, from time to time, in part, in inverse numerical order, on March 1, 1985, or on any interest payment date thereafter at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the date fixed for redemption.

Notice of each exercise of such reserved right of redemption shall be given at least thirty (30) days prior to the date fixed for redemption by giving written notice to the Paying Agent and by publishing notice one (1) time in a financial journal or publication of general circulation in the United States of America. By the date fixed for redemption due provision shall be made with the Paying Agent for payment of the principal amount of the Bonds so redeemed, plus accrued interest to the date fixed for redemption. When such Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem the same as herein provided, the Bonds so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and the right of the bearers to collect interest which would otherwise accrue after the redemption

~~date of the bonds called for redemption shall terminate on the date~~
fixed for redemption.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable from the proceeds of an ad valorem tax upon all taxable property within the District and are further payable from and secured by a pledge of the revenues from the operation of the District's waterworks and sanitary sewer system to be purchased or acquired (herein the "System"), except that part thereof derived from contracts with persons, corporations, municipal corporations, political subdivisions or other entities which under the terms of the authorizing resolutions may be pledged for the requirements of the District's revenue bonds issued particularly to finance the water and/or sewer facilities needed in performing any such contract to the extent, and only to the extent, necessary (1) to pay for the administration, efficient operation and adequate maintenance of such water and/or sewer facilities, (2) to pay the principal or redemption price of and interest on bonds issued to purchase, construct, improve, extend, replace, enlarge or repair such water and/or sewer facilities, and (3) to establish and maintain the reserve fund, contingency fund or any other fund or funds created in the resolution authorizing the issuance of such bonds as required by such resolution, after deduction of the reasonable cost of operating and maintaining the System. The Resolution contains a provision that terminates the pledge of revenues of the System to the payment of the Bonds when and if a city, town, or village of the State of Texas, including a Home Rule City, annexes the District in its entirety, dissolves the District and assumes the obligations of the District. Reference is made to the Resolution for a more complete description of the

funds charged with and pledged to the payment of this Bond and the series of which it is a part, and to the termination of the pledge of the revenues to all the provisions of which the bearer of this Bond by the acceptance hereof expressly assents. And for the faithful performance of all covenants, recitals and stipulations contained herein, including especially those with reference to the proper application of tax proceeds and revenues for the payment of the principal hereof and the interest hereon promptly when due, the full faith, credit and resources of the District are hereby irrevocably pledged.

In addition to the right to issue bonds of inferior lien, the District shall hereafter have the right to issue additional bonds which may be secured by a lien on and pledge of the revenues from the operation of the District's System on a parity with the pledge of the revenues to the payment of these Bonds. Reference is made to the Resolution for a complete description of the right to issue additional bonds.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond and the series of Bonds of which it is a part is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds

upon all taxable property within the District, sufficient for said purposes and, in addition, by irrevocably pledging the net revenues of the District's System to be purchased or acquired; and that the issuance of this series of Bonds does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, Montgomery County Fresh Water Supply District No. 2 has caused this Bond and the interest coupons hereto attached to be executed by the facsimile signatures of the President and Secretary of its Board of Supervisors and its official seal to be impressed, or placed in facsimile hereon, all as of the first day of March, 1970.

Montgomery County Fresh Water
Supply District No. 2 of
Montgomery County, Texas

By _____
President

ATTEST:

Secretary

(SEAL)

SECTION 5.02: FORM OF INTEREST COUPONS. That the interest coupons to be attached to the Bonds shall be in substantially the following form:

NO. _____ \$ _____

ON THE FIRST DAY OF _____ * MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT NO. 2 of MONTGOMERY COUNTY, TEXAS, PROMISES TO PAY to bearer without exchange or collection charges at the principal office of the Chemical Bank & Trust Company, Houston, Texas, THE SUM OF \$ _____ in any coin or currency of the United States of America which on such date is legal tender for the payment

of debts due the United States of America, such sum being interest due that date on Montgomery County Fresh Water Supply District No. 2 Waterworks and Sanitary Sewer Combination Unlimited Tax and Revenue Bonds, Series 1970, bearing the number hereinafter specified, dated March 1, 1970. Bond No. _____.

President

Secretary

*Coupons maturing after March 1, 1985 shall contain the following additional clause:

"unless the Bond to which this coupon appertains has been called for prior redemption and due provision made to redeem the same."

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law, and the registration certificate of said Comptroller of Public Accounts shall be printed on the back of each of the Bonds, shall be manually executed, and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER

THE STATE OF TEXAS

REGISTER NO. _____

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of Montgomery County Fresh Water Supply District No. 2 of Montgomery County, Texas, and said Bond

TEXAS WATER RIGHTS COMMISSION

SAM HOUSTON STATE OFFICE BUILDING

COMMISSIONERS

OTHA F. DENT, CHAIRMAN
475-2451

JOE D. CARTER
475-2453

DORSEY B. HARDEMAN
475-4325

LOUIS L. MCDANIELS

EXECUTIVE DIRECTOR

475-2452

AUDREY STRANDTMAN

SECRETARY

475-4514

August 24, 1972

C-O-P-Y

Mr. James V. Derrick, Jr.
Vinson, Elkins, Searls & Smith
Attorneys at Law
First City National Bank Building
Houston, Texas 77002

Re: Montgomery County Fresh Water Supply
District No. 2

Dear Mr. Derrick:

Enclosed are certified copies of a resolution of the Commission dated August 21, 1972, approving the referenced District's engineering plans, specifications and estimate of costs and the issuance of bonds in the amount of \$240,000 for the purpose of financing said project, all being more fully set out in the resolution.

A certified copy of the resolution is being sent to the Attorney General's Office and to the consulting engineer for the project.

Very truly yours,

TEXAS WATER RIGHTS COMMISSION

By



(Mrs.) Ruth Pringle
Assistant Secretary

/s

Enclosures

ccs: Mr. Joseph H. Sharpley
Attorney General's Office
Bonds Division
Box R, Capitol Station
Austin, Texas 78711

Joseph C. Hild
Consulting Engineers
319 Southern Title Bldg.
Houston, Texas 77002

RESOLUTION APPROVING ENGINEERING PROJECT

THE STATE OF TEXAS X

COUNTY OF TRAVIS X

The Texas Water Rights Commission met in regular session at the regular meeting place in the City of Austin, Texas, on the 21st day of August, 1972, with the following members present, to wit:

O. F. Dent , Chairman
Joe D. Carter , Commissioner
Dorsey B. Hardeman, Commissioner

constituting a quorum.

Mr. Hardeman introduced a resolution and moved its adoption. The motion was seconded by Mr. Carter and duly carried by unanimous vote of all members present. The resolution thus adopted is as follows:

WHEREAS, on the 28th day of April, 1972, Montgomery County Fresh Water Supply District No. 2 filed an application for an investigation of a project pursuant to §6.075, Texas Water Code, and seeking approval by the Texas Water Rights Commission of the District's plans and estimates and the issuance of bonds in the amount of \$240,000 to finance such project, and

WHEREAS, the Texas Water Rights Commission has visited and made a careful inspection of the project as required by law and has examined and considered the engineering plans and estimate of costs, and other details concerning the proposed improvements; and as a result of said inspection, examination and consideration, the Commission has found said plans, specifications

and estimates to be in all respects good and sufficient and that the issuance of bonds to finance such improvements should be approved.

NOW, THEREFORE, BE IT RESOLVED by the Texas Water Rights Commission that the engineering plans, specifications and estimate of costs in the sum of \$240,000 for the project of Montgomery County Fresh Water Supply District No. 2 be and the same are hereby approved, and the issuance of \$240,000 of bonds for the purpose of financing said improvements in accordance with said plans, specifications, contract documents and engineering reports as filed heretofore with the Commission is hereby approved.

BE IT FURTHER RESOLVED that to enable the Commission to carry out the responsibilities and duties imposed by §6.075, Texas Water Code, the District shall:

- (1) Furnish to the Commission true copies of all contracts entered into by the District for the construction of said improvements and true copies of the bid awards on such contracts;
- (2) Within ten (10) days after beginning construction of said improvements, file a statement with the Commission showing the date on which construction was begun and thereafter file a monthly statement with the Commission showing the progress of such construction;
- (3) Notify and obtain approval of the Texas Water Rights Commission for any substantial alterations in the plans and specifications approved herein before making such alterations.

BE IT FURTHER RESOLVED that failure of said District to comply with the provisions of this Resolution shall be considered by the Commission as grounds for refusal to approve any additional bonds

for the completion of the works of improvement described in the plans and specifications filed with the Commission.

The Secretary of the Commission is directed to notify the District of this Resolution.

PASSED AND APPROVED at Austin, Texas, this 21st day of August, 1972.

TEXAS WATER RIGHTS COMMISSION

/s/ O. F. Dent
O. F. Dent, Chairman

/s/ Joe D. Carter
Joe D. Carter, Commissioner

/s/ Dorsey B. Hardeman
Dorsey B. Hardeman, Commissioner

ATTEST:

/s/ Ruth Pringle
Ruth Pringle, Assistant Secretary

THE STATE OF TEXAS X

COUNTY OF TRAVIS X

I, the undersigned, Assistant Secretary of the Texas Water Rights Commission, hereby certify that the foregoing is a true and correct copy of a resolution duly adopted by said Commission on the date indicated therein, which resolution is filed of record in the official records of said Commission on file in my office.

WITNESS my hand and seal of said Commission, this 21st day of August, 1972.

Ruth Pringle
Assistant Secretary

THE STATE OF TEXAS §

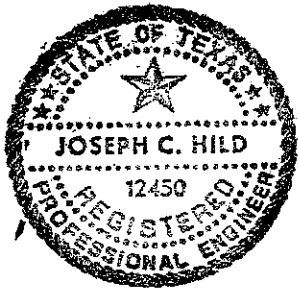
COUNTY OF HARRIS §

I, the undersigned, a duly registered professional engineer under the laws of the State of Texas, and the duly authorized and acting engineer for Southern Montgomery County Municipal Utility District, certify that:

1. The attached estimate and projection made by me of the anticipated number of connections, gross revenues, maintenance and operating expenses and net revenues to be derived by said District from the operation of its waterworks and sanitary sewer system for each of the years 1972 through 1990 is fair and reasonable.

2. Such District is not now within the limits of an incorporated city, town or village.

WITNESS MY HAND AND PROFESSIONAL SEAL this 17 day of October, 1972.



Joseph C. Hild
Joseph C. Hild, Registered
Professional Engineer
Register No. 12450

\$ 1,650,000 Water and Sewer Bonds, Series 1970
 \$ 240,000 Water and Sewer Bonds, Series, 1972

MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT NUMBER 2

Year	Number of Connections		Gross Revenue From W & S		Operation and Maintenance	Balance From Operation	Total P&I	Collected From Taxes	Principal Interest 5%	Accumulated Bal. \$272,261
	M-2	ORMUD	M-2	ORMUD						
1 1970	320	130	0	0	0	\$ 0	\$ 64,350	\$ 0	\$ 0	\$ 268,460
2 1971	380	200	43,320	7,200	25,000	25,520	136,303	71,370	0	229,047
3 1972	470	300	53,580	10,800	28,000	41,060	136,303	81,900	0	215,704
4 1973	570	450	64,980	16,200	31,000	57,668	136,303	93,600	12,000	218,669
5 1974	690	600	78,660	21,600	34,000	70,254	136,303	107,640	12,000	248,260
6 1975	830	750	94,620	27,000	38,000	87,614	184,428	124,020	11,750	253,716
7 1976	1,020	900	116,280	32,400	39,000	113,674	185,490	146,250	11,250	306,900
8 1977	1,200	1,050	136,800	37,800	40,000	139,600	186,103	167,310	10,750	406,957
9 1978	1,200	1,200	136,800	43,200	41,000	146,000	187,259	167,310	10,250	512,758
0 1979	1,200	1,200	136,800	43,200	41,000	147,000	190,740	167,310	9,750	616,578
1 1980	1,200	1,200	136,800	43,200	41,000	147,000	189,540	167,310	9,250	722,098
2 1981	1,200	1,200	136,800	43,200	41,000	147,000	192,695	167,310	8,750	824,963
3 1982	1,200	1,200	136,800	43,200	41,000	147,000	194,925	167,310	8,250	926,098
4 1983	1,200	1,200	136,800	43,200	41,000	147,000	186,675	167,310	7,625	1,031,108
5 1984	1,200	1,200	136,800	43,200	41,000	147,000	178,400	167,310	6,625	1,135,393
6 1985	1,200	1,200	136,800	43,200	41,000	147,000	194,000	167,310	5,750	1,239,953
7 1986	1,200	1,200	136,800	43,200	41,000	147,000	183,438	167,310	5,000	1,345,825
8 1987	1,200	1,200	136,800	43,200	41,000	147,000	196,750	167,310	4,250	1,449,135
9 1988	1,200	1,200	136,800	43,200	41,000	147,000	184,000	167,310	3,500	1,555,945
0 1989	1,200	1,200	136,800	43,200	41,000	147,000	171,250	167,310	2,125	1,661,880
1 1990	1,200	1,200	136,800	43,200	41,000	147,000	182,438	167,310	625	1,768,127

1. Effective interest rate of bonds is 8.70286% including 5% Discount 3. Taxes are based on the existing values of \$11,000,000 with future for \$1,650,000 issue. houses at \$20,000 each. The tax rate is based on .65¢ per \$100 valuation assessed at 100% with 90% collections.

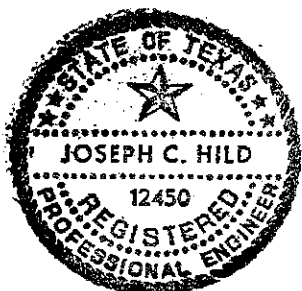
2. Gross Revenue is based on \$6.00 per month for water and \$3.50 for sewer within the boundaries of Montgomery County FWSO No. 2 and \$3.00 per month for sewer from Oak Ridge Municipal Utility District 4. Shennandoah Valley M.U.D. is computed from the Contract. The original accumulated balance of \$272,261 is due to 1½ years interest from bond proceeds and six months interest from other funds to be received by the District.

THE STATE OF TEXAS §

COUNTY OF HARRIS §

I, the undersigned, a duly registered professional engineer under the laws of the State of Texas, and the duly authorized and acting engineer for Southern Montgomery County Municipal Utility District, certify that the attached estimate and projection made by me, which I hereby certify as fair and reasonable, reveals that the gross revenues to be received by said District as a direct result of the extensions, improvements or additions to be constructed with the proceeds of the \$240,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972, to be issued by said District (calculated at a rate of \$6.00 for each water connection and \$3.50 for each sewer connection) and the additional taxes to be received by said District as a result of such extensions, improvements and additions (based on a tax rate of sixty-five cents (65¢) per one hundred dollars (\$100) valuation) will be equal to or greater than one and one-half (1-1/2) times the Average Annual Debt Service Requirements on said Bonds to be issued (one and one-half times the Average Annual Debt Service Requirements on the \$240,000 Bonds to be issued is \$31,625.00).

WITNESS MY HAND AND PROFESSIONAL SEAL this 17 day of October, 1972.



Joseph C. Hild
Joseph C. Hild, Registered
Professional Engineer
Register No. 12450

MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT NUMBER 2, \$240,000 BONDS, SERIES 1972

Year	Number of Connections		Gross Revenue From Sewer		Operation and Maintenance		Balance From Operation		Principal	Interest	Total P&I	Accumulated Balance*
	ORMUD	SVMUD	ORMUD	SVMUD	Maintenance	Operation	Operation	From Operation				
1 1972	365	155	\$13,140	4,680	\$ 0		\$ 17,820	\$ 0	0	\$ 0	\$ 17,820	
2 1973	450	235	16,200	7,482	4,737		18,951	0	12,000	12,000	24,771	
3 1974	600	315	21,600	3,994	5,118		20,476	0	12,000	12,000	33,247	
4 1975	750	395	27,000	3,994	6,198		24,796	10,000	11,750	21,750	36,293	
5 1976	900	478	32,400	3,994	7,278		29,116	10,000	11,250	21,250	44,159	
6 1977	1,050	563	37,800	5,000	8,560		34,240	10,000	10,750	20,750	57,649	
7 1978	1,200	653	43,200	7,000	10,040		40,160	10,000	10,250	20,250	77,559	
8 1979	1,200	748	43,200	8,300	10,300		41,200	10,000	9,750	19,750	99,009	
9 1980	1,200	748	43,200	8,300	10,300		41,200	10,000	9,250	19,250	120,959	
10 1981	1,200	748	43,200	8,300	10,300		41,200	10,000	8,750	18,750	143,409	
11 1982	1,200	748	43,200	8,300	10,300		41,200	10,000	8,250	18,250	166,359	
12 1983	1,200	748	43,200	8,300	10,300		41,200	15,000	7,625	22,625	184,934	
13 1984	1,200	748	43,200	8,300	10,300		41,200	25,000	6,625	31,625	194,509	
14 1985	1,200	748	43,200	8,300	10,300		41,200	10,000	5,750	15,750	219,959	
15 1986	1,200	748	43,200	8,300	10,300		41,200	20,000	5,000	25,000	236,159	
16 1987	1,200	748	43,200	8,300	10,300		41,200	10,000	4,250	14,250	263,109	
17 1988	1,200	748	43,200	8,300	10,300		41,200	20,000	3,500	23,500	280,809	
18 1989	1,200	748	43,200	8,300	10,300		41,200	35,000	2,125	37,125	284,884	
19 1990	1,200	748	43,200	8,300	10,300		41,200	25,000	625	25,625	300,459	
							\$679,958	\$240,000	\$139,500	\$379,500		

- Coupon Interest Rate is 5.00%
 - Gross Revenue is based on executed contracts with the two districts served by sewer.
 - Projected services with the Vicksburg Sub-division are not shown because it is to be annexed by Montgomery Co. FWSD Number 2.
 - No taxes are shown because revenues are from outside the District boundaries.
 - Bond coverage is to be 1½ times projected gross revenues.
 - Bond Years are 18 years.
7. $\frac{\text{Total P\&I}}{18 \text{ years}} = \frac{\$ 379,500}{18 \text{ years}} = \$ 21,083.33(1.5) = \$ 31,624.99$
8. $\frac{\text{Balance From Operation}}{18 \text{ years}} = \frac{\$ 679,958}{18 \text{ years}} = \$ 37,775.44$

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 843393

RATINGS: Underlying rating "Aa3" Moody's
See "MUNICIPAL BOND RATING" herein

\$3,330,000
SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
 (A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX BONDS
SERIES 2018

Dated: February 1, 2018

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2018 Bonds") will accrue from February 1, 2018, and will be payable on March 1 and September 1 of each year, commencing September 1, 2018. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is ZB, National Association, dba Amegy Bank, Houston, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$175,000	2024 (b)	2.250%	2.25%	\$250,000	2031 (b)	3.000%	2.80%
\$175,000	2025 (b)	2.250%	2.30%	\$250,000	2032 (b)	3.000%	2.90%
\$200,000	2026 (b)	2.375%	2.40%	\$250,000	2033 (b)	3.000%	3.00%
\$200,000	2027 (b)	2.375%	2.45%	\$275,000	2034 (b)	3.000%	3.05%
\$200,000	2028 (b)	2.500%	2.50%	\$275,000	2035 (b)	3.000%	3.10%
\$225,000	2029 (b)	2.500%	2.60%	\$300,000	2036 (b)	3.000%	3.15%
\$225,000	2030 (b)	2.750%	2.75%	\$330,000	2037 (b)	3.000%	3.20%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2023, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form). See "THE BONDS—Optional Redemption."

The proceeds of the Bonds will be used by Southern Montgomery County Municipal Utility District (the "District") to finance certain water supply facilities, certain drainage facilities, and certain costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, The City of Oak Ridge North, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, The City of Oak Ridge North, or the City of Houston, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the District by Sanford Kuhl Hagan Kugle Parker Kahn, LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about February 15, 2018.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds, along with other monies lawfully available to the District, will be used to finance: (1) costs (including land costs) associated with a 500,000 gallon elevated storage tank; (2) four different drainage projects located in the District; and (3) certain administrative and costs related to the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed in the table below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS:	District's Share
<i>Developer Contribution Items</i>	
None	
<i>District Contribution Items</i>	
500,000 Gallon Elevated Storage Tank	\$1,800,000
Maplewood Drive North Drainage	\$400,000
Maplewood Drive South Drainage	\$70,000
Nursery Road at I-45 Drainage	\$187,000
Oakhurst Drive Underground Drainage	\$290,000
Contingencies	\$549,400
Engineering	\$429,660
Land Costs for Elevated Storage Tank Site	<u>\$242,875</u>
TOTAL CONSTRUCTION COSTS	\$3,968,935
 LESS FUNDS AVAILABLE	 <u>(\$1,000,000)</u>
NET CONSTRUCTION COSTS	<u>\$2,968,935</u>
 NON-CONSTRUCTION COSTS:	
Legal Fees	\$99,900
Fiscal Agent Fees	\$66,600
Bond Discount	\$48,144
Bond Issuance Expenses	\$46,360
Bond Application Report Costs	\$36,650
Attorney General's Fee	\$3,330
TCEQ Bond Issuance Fee	\$8,325
Contingency	<u>\$51,756</u> (a)
TOTAL NON-CONSTRUCTION COSTS	\$361,065
 TOTAL BOND ISSUE REQUIREMENT	 \$3,330,000

(a) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement. Such funds may be used by the District only in compliance with TCEQ Rules.

OFFICIAL STATEMENT DATED DECEMBER 17, 2008

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING A DESCRIPTION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY

CUSIP No. 843393

RATING: "Aa2" Moody's
See "BOND INSURANCE", herein

\$6,350,000

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX BONDS

SERIES 2009

Dated: January 1, 2009

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2009 Bonds") will accrue from January 1, 2009, and will be payable on September 1 and March 1 of each year, commencing September 1, 2009. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, National Association. See "THE BONDS – Paying Agent/Registrar."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp.



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)	Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)
\$120,000	2012	5.75%	3.00%	\$140,000	2015	5.75%	3.75%
\$125,000	2013	5.75%	3.25%	\$145,000	2016	5.75%	4.00%
\$130,000	2014	5.75%	3.50%				

- \$315,000 4.150% Term Bond Due March 1, 2018 to Yield 4.15% (a) (b) (c)
- \$350,000 4.400% Term Bond Due March 1, 2020 to Yield 4.40% (a) (b) (c)
- \$390,000 4.500% Term Bond Due March 1, 2022 to Yield 4.50% (a) (b) (c)
- \$430,000 5.000% Term Bond Due March 1, 2024 to Yield 4.65% (a) (b) (c)
- \$735,000 5.000% Term Bond Due March 1, 2027 to Yield 5.00% (a) (b) (c)
- \$855,000 5.125% Term Bond Due March 1, 2030 to Yield 5.25% (a) (b) (c)
- \$1,010,000 5.200% Term Bond Due March 1, 2033 to Yield 5.35% (a) (b) (c)
- \$760,000 5.250% Term Bond Due March 1, 2035 to Yield 5.45% (a) (b) (c)
- \$845,000 5.250% Term Bond Due March 1, 2037 to Yield 5.50% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2017 are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2016, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form). See "THE BONDS—Optional Redemption."
- (c) Subject to mandatory redemption as described herein. See "THE BONDS—Mandatory Redemption."

The proceeds of the Bonds will be used by Southern Montgomery County Municipal Utility District (the "District"), to construct certain improvements for the benefit of the District, and to pay certain issuance and administrative expenses. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Houston, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Fulbright & Jaworski L.L.P., Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about January 27, 2009.

may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of Utility Districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds along with certain of funds available to the District will be used to pay for: (1) the costs associated with Water Plant No. 3; (2) Wastewater Treatment Plant rehabilitation and modifications; (3) certain engineering, legal and contingency costs associated with 1 and 2 above; (4) capitalized interest on the Bonds; and (5) costs related to the issuance of the Bonds.

The Engineer has advised the District that the proceeds of the Series 2009 Bonds along with certain District cash on hand from impact fees, surplus monies in the District Construction Fund, and capital contribution to be made from the City of Oak Ridge North and Conroe Independent School District all as listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS:	<u>Total Amount (a)</u>
Water Plant No. 3	\$3,920,028
Wastewater Treatment Plant Rehabilitation & Modifications	<u>\$5,409,600</u>
TOTAL CONSTRUCTION COSTS	\$9,329,628
 FUNDS AVAILABLE FROM OTHER SOURCES:	
Impact Fees	(\$1,322,824)
Surplus Construction Funds	(\$1,178,000)
City of Oak Ridge North & CISD WWTP Participation	<u>(\$1,286,532)</u>
SUB-TOTAL OF OTHER AVAILABLE FUNDS	<u>(\$3,787,356)</u>
TOTAL CONSTRUCTION FUNDS REQUIRED:	\$5,542,272
 NON-CONSTRUCTION COSTS:	
Legal Fees (2.5%)	\$158,750
Financial Advisor Fees (2%)	\$127,000
Bond Discount (3%)	\$190,500
Capitalized Interest	\$242,117
Administration Expenses & Bond Issuance	\$31,603
TCEQ Bond Issuance Fee (0.25%)	\$15,875
Texas Attorney General Fee (0.1%)	\$6,350
Bond Application Report Costs	\$30,000
Contingency (b)	<u>\$5,533</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$807,728</u>
TOTAL BOND AUTHORIZATION REQUIREMENT	\$6,350,000

- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities; none of the facilities being financed with bond proceeds are "developer contribution items" pursuant to TCEQ rules.
- (b) The TCEQ Order requires that the District designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Final Official Statement. Such funds may be used by the District only in accordance with the TCEQ rules.

OFFICIAL STATEMENT DATED OCTOBER 27, 1998



Ratings: Standard & Poor's Corporation "AAA"
(See "Municipal Bond Insurance Policy" herein)

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

NEW ISSUE

THE ISSUANCE OF THE BONDS IS SUBJECT TO THE OPINION OF THE BOND COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXEMPT FROM FEDERAL INCOME TAXES UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS.

THE DISTRICT WILL DESIGNATE THE BONDS AS "QUALIFIED TAX EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$3,150,000

**SOUTHERN MONTGOMERY
COUNTY MUNICIPAL UTILITY DISTRICT**
(A political subdivision of the State of Texas, located within Montgomery County)

**WATERWORKS AND SEWER SYSTEM
COMBINATION UNLIMITED
TAX AND REVENUE BONDS
SERIES 1998**

The above described bonds (the "Bonds") are obligations solely of Southern Montgomery County Municipal Utility District (the "District") and are not the obligations of the State of Texas, Harris County or any entity other than the District.

The Bonds will be dated November 1, 1998; interest on the Bonds will be payable March 1 and September 1 of each year commencing March 1, 1999 through the earlier of maturity or redemption. The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable at the principal corporate trust office of Chase Bank of Texas, National Association, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar on the 15th calendar day of the month next preceding each interest payment date.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company ("FGIC") simultaneously with the delivery of the Bonds.

MATURITY SCHEDULE
(Due March 1)

Amount	Maturity	Interest Rate	Initial Reoffering Yield(a)	Amount	Maturity	Interest Rate	Initial Reoffering Yield(a)
\$ 25,000	2000	6.75%	3.40%	\$100,000	2012(b)	4.25%	4.30%
\$ 25,000	2001	6.75%	3.50%	\$100,000	2013(b)	4.25%	4.35%
\$ 25,000	2002	6.75%	3.60%	\$100,000	2014(b)	4.30%	4.40%
\$ 25,000	2003	6.75%	3.70%	\$100,000	2015(b)	4.40%	4.50%
\$ 50,000	2004	6.75%	3.80%	\$100,000	2016(b)	4.50%	4.55%
\$ 50,000	2005	6.75%	3.90%	\$100,000	2017(b)	4.60%	4.65%
\$ 50,000	2006	6.75%	4.00%	\$100,000	2018(b)	4.65%	4.70%
\$ 50,000	2007	6.75%	4.05%	\$350,000	2019(b)	4.65%	4.70%
\$ 75,000	2008	6.75%	4.10%	\$350,000	2020(b)	4.70%	4.75%
\$ 75,000	2009(b)	4.25%	4.15%	\$350,000	2021(b)	4.70%	4.80%
\$ 75,000	2010(b)	4.25%	4.20%	\$375,000	2022(b)	4.25%	4.85%
\$100,000	2011(b)	4.25%	4.25%	\$400,000	2023(b)	4.25%	4.90%

- (a) Yield has been calculated and furnished by the Underwriter and represents the initial offering yield to the public, which may subsequently be changed by the Underwriter.
- (b) Bonds maturing on or after March 1, 2009, are subject to redemption, at the option of the District, prior to maturity as a whole or in part, on March 1, 2008, or on any date thereafter, at par plus accrued interest to the date of redemption. If less than all of the Bonds are redeemed at any time, the Bonds to be redeemed shall be selected by the District. The registered owner of any Bond, all or a portion of which has been called for redemption, will be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and for issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and the net revenues, if any, of the District's System as defined herein.

The Bonds are the second issuance of \$6,050,000 waterworks and sewer system combination unlimited tax and revenue bonds authorized at an election held within the District for that purpose. Following the issuance of the Bonds, no bonds remain authorized but unissued. The Bonds are offered subject to prior sale when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and approval of certain legal matters by Bill Corsbie, P.C. of Austin, Texas, Bond Counsel. The Bonds are expected to be available for delivery on or about November 24, 1998.

USE OF PROCEEDS

The Engineer had advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities.

The District's present estimate of the use of proceeds of the Bonds is as follows: (1) construction of a new Water Plant No. 2; (2) upgrades of the wastewater treatment plant; (3) the District's pro rata share of the improvements of Richards Road Storm Sewer (Phases I & II); (4) construction of Leafywood Drive sheet flow storm sewer; and (5) to pay certain issuance and administrative costs associated with the sale of the Bonds.

<u>CONSTRUCTION COSTS</u>	<u>AMOUNT (a)</u>
Construction of Water Plant No. 2	\$1,120,000
Wastewater Treatment Plant Upgrades	625,000
Leafywood Drive Sheet Flow Storm Sewer	283,000
Richards Road Storm Sewer	158,906
Contingencies	208,568
Engineering	<u>334,620</u>
TOTAL CONSTRUCTION COSTS	\$2,730,094
<u>NON-CONSTRUCTION COSTS</u>	
Bond Counsel (2%)	\$ 63,000
Financial Advisor Fees (2%)	63,000
Capitalized Interests (8 mos.)	99,333 (b)
Bond Discount (3%)	94,500
Administrative and Issuance Costs	35,031
Bond Issue Report	31,500
TNRCC Bond Issuance Fee (0.25%)	7,875
Contingency	<u>25,667</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 419,906
TOTAL BOND ISSUE REQUIREMENT	\$3,150,000

- (a) TNRCC rules require, with certain exceptions, that developers contribute to the District's construction program a minimum 30% of the construction costs of certain system facilities. The District is exempt from the 30% developer contribution rule.
- (b) In the TNRCC order approving the Bonds, the TNRCC directed that any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate than that proposed, shall be shown as a contingency line item in the Official Statement and the use of said funds shall be subject to approval pursuant to TNRCC rules regarding surplus funds.

OFFICIAL STATEMENT DATED MAY 5, 1993

NEW ISSUE

Ratings: Standard & Poor's Corporation (AMBAC) . . . "AAA"
 Moody's Investors Service, Inc. (AMBAC) . . . "Aaa"



(See "Municipal Bond Guaranty Insurance Policy" herein)

THE ISSUANCE OF THE BONDS IS SUBJECT TO THE OPINION OF THE BOND COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXEMPT FROM FEDERAL INCOME TAXES UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS.

THE DISTRICT WILL DESIGNATE THE BONDS AS "QUALIFIED TAX EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$2,900,000

**SOUTHERN MONTGOMERY
 COUNTY MUNICIPAL UTILITY DISTRICT**

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

**WATERWORKS AND SEWER SYSTEM
 COMBINATION UNLIMITED
 TAX AND REVENUE BONDS
 SERIES 1993**

The above described bonds (the "Bonds") are obligations solely of Southern Montgomery County Municipal Utility District (the "District") and are not the obligations of the State of Texas, Harris County or any entity other than the District.

The Bonds will be dated May 1, 1993; interest on the Bonds will be payable March 1 and September 1 of each year commencing March 1, 1994 through the earlier of maturity or redemption. The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable at the principal corporate trust office of Ameritrust Texas National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar on the 15th calendar day of the month next preceding each interest payment date.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond guaranty insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Bonds.

**MATURITY SCHEDULE
 (Due March 1)**

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield(a)</u>	<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield(a)</u>
\$ 50,000	1995	7.50%	3.50%	\$100,000	2007(b)	5.50%	5.50%
\$ 50,000	1996	7.50%	3.70%	\$125,000	2008(b)	5.50%	5.60%
\$ 50,000	1997	7.50%	3.90%	\$125,000	2009(b)	5.50%	5.65%
\$ 50,000	1998	7.50%	4.10%	\$150,000	2010(b)	5.00%	5.70%
\$ 75,000	1999	7.50%	4.30%	\$150,000	2011(b)	5.00%	5.70%
\$ 75,000	2000	7.50%	4.50%	\$150,000	2012(b)	5.00%	5.70%
\$ 75,000	2001	7.50%	4.70%	\$175,000	2013(b)	5.00%	5.70%
\$ 75,000	2002	7.50%	4.85%	\$175,000	2014(b)	5.00%	5.70%
\$ 75,000	2003	7.50%	5.00%	\$200,000	2015(b)	5.00%	5.70%
\$100,000	2004(b)	7.50%	5.00%	\$200,000	2016(b)	5.00%	5.70%
\$100,000	2005(b)	7.50%	5.15%	\$225,000	2017(b)	5.00%	5.70%
\$100,000	2006(b)	6.00%	5.35%	\$250,000	2018(b)	5.00%	5.70%

(a) Yield has been calculated and furnished by the Underwriter and represents the initial offering yield to the public, which may subsequently be changed by the Underwriter.

(b) Bonds maturing on or after March 1, 2004, are subject to redemption, at the option of the District, prior to maturity as a whole or in part, on March 1, 2003, or on any date thereafter, at par plus accrued interest to the date of redemption. If less than all of the Bonds are redeemed at any time, the Bonds to be redeemed shall be selected by the District. The registered owner of any Bond, all or a portion of which has been called for redemption, will be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and for issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and the net revenues, if any, of the District's System as defined herein.

The Bonds are the first issuance of \$6,050,000 waterworks and sewer system combination unlimited tax and revenue bonds authorized at an election held within the District for that purpose. Following the issuance of the Bonds, \$3,150,000 bonds authorized at said election will remain unissued. The Bonds are offered subject to prior sale when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and approval of certain legal matters by Bill Corsbie, P.C. of Austin, Texas, Bond Counsel. The Bonds are expected to be available for delivery on or about June 8, 1993.

USE OF PROCEEDS

Proceeds from the sale of the Bonds will be used to finance the construction costs of (1) certain storm sewer drainage improvements and offsite drainage projects, (2) dechlorination equipment for the wastewater treatment plant, (3) the construction of a new District office building, (4) the costs of engineering and survey fees associated with certain drainage studies, and (5) to pay for certain easement acquisitions associated with the drainage work, and (6) to pay certain issuance and administrative costs associated with the sale of the Bonds.

The Engineer had advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities.

The District's present estimate of the use of proceeds of the Bonds is as follows:

<u>CONSTRUCTION COSTS:</u>	<u>AMOUNT</u>
Richards Road Trunk Storm Sewer	\$ 350,085
Vicksburg Trunk Storm Sewer	608,700
Basswood Drive Sheetflow Channel	92,261
Gamewood Drive Trunk Storm Sewer	760,984 (a)
Offsite Channel Improvements	85,300 (b)
Special Engineering and Survey Study	91,720
Dechlorination at the District's Wastewater Treatment Plant	35,945 (c)
Easement Acquisition	28,983
District Office Building	99,000
Subtotal	<u>\$2,152,978</u>
Contingencies	196,900
Engineering	259,000
Architectural	<u>11,880</u>
Total Construction Costs	\$2,620,758
 <u>NONCONSTRUCTION COSTS:</u>	
Legal Fees (2%)	\$ 58,000
Fiscal Agent Fees (2%)	58,000
Bond Discount (3%)	87,000
Administration Expense	51,592
TWC Bond Issuance Fee (0.25%)	7,250
Bond Application Report Costs (0.6%)	<u>17,400</u>
Total Nonconstruction Cost	\$ 279,242
TOTAL BOND ISSUE REQUIREMENT	\$2,900,000

- (a) The District's share which is 56% of total cost less \$25,000 cost of easement acquisition (\$1,383,900 - \$25,000 = \$1,358,900 x 0.56 = \$760,984)
- (b) The amount shown represents the District's share (56%) of the total cost of this project.
- (c) The amount shown represents the District's share (55.03%) of the total cost of this project.

OFFICIAL STATEMENT DATED OCTOBER 21, 1987

The issuance of the Bonds is subject to the opinion of Bond Counsel as to the validity of the Bonds and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds" under existing law. See "THE BONDS - Tax Exemption" for a discussion of Bond Counsel's opinion, including a discussion of alternative minimum tax consequences for corporations.

\$610,000

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas,
located within Montgomery County)

**UNLIMITED TAX AND REVENUE BONDS
SERIES 1987**

The Bonds are obligations solely of Southern Montgomery County Municipal Utility District (the "District") and are not the obligations of the State of Texas, Montgomery County or any entity other than the District.

Dated: November 1, 1987

Denomination: \$5,000

The Bonds will be dated November 1, 1987. Interest on the Bonds will be payable March 1 and September 1 of each year commencing September 1, 1988. The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable at the principal corporate trust office of Texas Commerce Bank, National Association, Houston, Texas, (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed on or before that date by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the 15th calendar day of the month next preceding each interest payment date.

MATURITY SCHEDULE
(Due March 1)

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>
\$125,000	1991	7.25%	7.25%
150,000	1992	7.50	7.50
150,000	1993	7.75	7.75
185,000	1994	8.00	8.00

- (a) Yield has been calculated and furnished by the Underwriter, as defined herein, and represents the initial offering yield to the public, which may subsequently be changed by the Underwriter.

The above described bonds (the "Bonds"), when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District, and further payable from and secured by a pledge of Surplus Net Revenues, if any, of the System.

The Bonds are the third issuance of \$2,500,000 unlimited tax bonds authorized at an election held within the District for that purpose. Following the issuance of the Bonds, none of the bonds authorized at said election will remain authorized but unissued. The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and approval of certain legal matters by Hutchison Price Boyle & Brooks and Bill Corsbie, P.C., co-bond counsel to the District ("Bond Counsel").

Delivery: When issued - anticipated on or about November 20, 1987

Bond Counsel: Hutchison Price Boyle & Brooks and Bill Corsbie, P.C., Austin, Texas

USE OF PROCEEDS

Proceeds from the sale of the Bonds will be used (i) to construct a sewer trunk line, sewer plant improvements and water plant modifications; (ii) to pay engineering fees and contingencies associated with such construction; (iii) to pay certain administrative costs and costs associated with the issuance of the Bonds.

Putney, Moffatt, Easley (the "Engineer"), the District's consulting engineers, has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities.

The District's present estimate of the use of the proceeds of the Bonds is as follows:

	<u>Total</u>
<u>Construction Costs:</u>	
30-inch sanitary sewer trunk line	\$293,625
Sewage Treatment Plant Expansion	125,250 (a)
Water Plant Modifications	40,000 (a)
Contingencies	45,925 (a)
Engineering	<u>50,500</u>
 Total Construction Costs	 <u>\$555,300</u>
<u>Non-Construction Costs:</u>	
Legal Fees	\$ 12,200
Fiscal Agent Fees	12,200
Bond Discount (assumed at 3%)	17,873
Printing of Bonds and Official Statement	8,767
Engineer's Report	<u>3,660</u>
 Total Non-Construction Costs	 \$ 54,700
 Total Bond Issue Requirement	 <u>\$610,000</u>

-
- (a) The TWC order authorizing the issuance of the Bonds directed the District to escrow these funds pending receipt and approval of plans and specifications.

@ 2021 bonds

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT

SCHEDULE OF REMAINING BOND AUTHORITY

First Bond Election Authorized:	
Tax and Revenue	\$2,500,000
1 st issue – Tax & Revenue, Series 1970 Issued:	- <u>\$1,650,000</u>
Remaining Authorized but Unissued:	\$850,000
2 nd issue – Tax & Revenue, Series 1972 Issued	- <u>\$240,000</u>
Remaining Authorized but Unissued:	\$610,000
3 rd issue – Tax & Revenue, Series 1987 Issued:	- <u>\$610,000</u>
Total Authority Remaining after Series 1987:	\$ 0.00
<hr/>	
Bond Election held on May 5, 1990 Authorized:	
Tax & Revenue	+ <u>\$6,050,000</u>
4 th issue continued – Tax & Revenue Series 1993:	<u>\$2,900,000</u>
Remaining Tax & Revenue Authorized but Unissued:	\$3,150,000
5 th issue – Tax & Revenue, Series 1998 Issued:	- <u>\$3,150,000</u>
Remaining Unlimited Tax Authorization but Unissued:	\$ 000
6 th issue – Tax & Revenue Refunding, Series 2004 Issued:	- <u>\$2,224,048.35</u>
Reclaiming 1993 Refunded Bonds	+ <u>\$ 2,225,000</u>
Remaining Tax & Revenue Authorized & Unissued:	\$ 951.65
<hr/>	
Bond Election May 12, 2007 Authorized:	
Tax Only	\$13,000,000
7 th issue – Tax only Series 2009	- <u>\$6,350,000</u> ✓
Remaining Tax Only Authorization but Unissued:	\$ 6,650,000
8 th issue – Tax Refunding Bonds, Series 2012	- <u>\$ 3,095,000</u>
Remaining Tax Only Authorization by Unissued:	\$ 3,555,000
94092-003 191738 dw	

Reclaiming 1998 Refunded Bonds	+ \$ 2,225,000
Reclaiming 2004 Refunded Bonds	<u>+ \$ 865,000</u>
Remaining Tax Only Authorization after issuance of 2012 Bonds	\$ 6,645,000
9 th Issue – Tax Refunding Bonds, Series 2016	<u>-5,655,000</u>
Remaining Tax only authorization but unissued:	990,000
Reclaiming <u>2009</u> Refunded Bonds	<u>+5,655,000</u>
Remaining tax only authorization after issuance of Series 2016 Bonds	6,645,000
10 th Issue – Tax Bonds proposed Series 2018	<u>-3,330,000</u>
Remaining tax only authorization after Series 2018 Bonds	3,315,000
11 th Issue – \$5,410,000 Tax Refunding Bonds, Series 2021 (per LGA not using premium because before 2003);	<u>-20,000</u>
Remaining tax only authorization after Series 2021 Refunding Bonds	\$3,295,000

Series 1970 Bonds

Water plant, WWP, on site L/S

MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT No. 2

<u>Year</u>	<u>Principal Due 3-1</u>	<u>Coupon Rate</u>	<u>Inter est Due 3-1</u>	<u>Inter est Due 9-1</u>	<u>Total</u>
1970				68,151.25	68,151.25
1971			68,151.25	68,151.25	136,302.50
1972			68,151.25	68,151.25	136,302.50
1973			68,151.25	68,151.25	136,302.50
1974			68,151.25	68,151.25	136,302.50
1975	50,000	7.50%	68,151.25	66,276.25	184,427.50
1976	55,000	7.50%	66,276.25	64,213.75	105,490.00
1977	60,000	7.75%	64,213.75	61,888.75	186,102.50
1978	65,000	7.75%	61,888.75	59,370.00	186,258.75
1979	75,000	8%	59,370.00	56,370.00	190,740.00
1980	80,000	8%	56,370.00	53,170.00	189,540.00
1981	90,000	8.10%	53,170.00	49,525.00	192,695.00
1982	100,000	8.25%	49,525.00	45,400.00	194,925.00
1983	100,000	8.25%	45,400.00	41,275.00	186,675.00
1984	100,000	8.30%	41,275.00	37,125.00	178,400.00
1985	125,000	8.40%	37,125.00	31,875.00	194,000.00
1986	125,000	8.50%	31,875.00	26,562.50	183,437.50
1987	150,000	8.50%	26,562.50	20,187.50	196,750.00
1988	150,000	8.50%	20,187.50	13,812.50	184,000.00
1989	150,000	8.50%	13,812.50	7,437.50	171,250.00
1990	175,000	8.50%	7,437.50		182,437.50
	<u>1,650,000</u>		<u>975,245.00</u>	<u>975,245.00</u>	

Total Interest Cost \$1,950,490.00
 Net Effective Rate
 (23360 Bond Yrs) 8.34970%

Total Interest Cost \$1,950,490.00
 Discount 82,500.00
 \$2,032,990.00

Effective Rate, incl.
 discount 8.70286% ✓

RESOLUTION REQUESTING THE TEXAS WATER
RIGHTS COMMISSION TO AUTHORIZE THE
DISTRICT TO ISSUE ITS BONDS AT A NET
EFFECTIVE INTEREST RATE OF 8.70286%

WHEREAS, by resolution adopted on October 20, 1969, the Board of Supervisors of Montgomery County Fresh Water Supply District No. 2 requested the Commission to approve \$1,650,000 of the District's bonds at an interest rate of not to exceed 8-3/4%; and

WHEREAS, the Commission approved the application of the District and authorized it to issue \$1,650,000 of bonds in accordance with the District's request; and

WHEREAS, the District has received an offer to purchase its bonds at a net interest cost of 8.34970% at 95% of par plus accrued interest which will result in a net effective interest cost of 8.70286%; and

WHEREAS, the District desires to request the Commission for consent to issue and sell its bonds at this net effective interest rate; Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY FRESH WATER SUPPLY DISTRICT NO. 2:

1. That the President and Secretary of Montgomery County Fresh Water Supply District No. 2 are hereby authorized to execute and transmit to the Texas Water Rights Commission an application on behalf of said District for the approval to issue its bonds at a net effective interest rate of 8.70286%, such application to be substantially in the following form:

3.

Since the time of the approval of the Commission the District has received an offer to purchase these bonds at 95% of par plus accrued interest on the following schedule and at the following interest rates:

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
\$ 50,000	3-1-75	7.50%
55,000	3-1-76	7.50%
60,000	3-1-77	7.75%
65,000	3-1-78	7.75%
75,000	3-1-79	8.00%
80,000	3-1-80	8.00%
90,000	3-1-81	8.10%
100,000	3-1-82	8.25%
100,000	3-1-83	8.25%
100,000	3-1-84	8.30%
125,000	3-1-85	8.40%
125,000	3-1-86	8.50%
150,000	3-1-87	8.50%
150,000	3-1-88	8.50%
150,000	3-1-89	8.50%
175,000	3-1-90	8.50%

4.

The District has directed its engineers to prepare a feasibility report showing the annual cost and tax rates necessary to amortize the District's \$1,650,000 bonds on this maturity schedule. Such engineers have determined that the project is feasible at this interest cost.

WHEREFORE, PREMISES CONSIDERED, the District prays the Commission to enter its order authorizing the District to issue its bonds in accordance with the foregoing schedule and sell same at a net effective interest rate of 8.70286%.

Respectfully submitted this _____ day of March, 1970.

MONTGOMERY COUNTY FRESH WATER SUPPLY
DISTRICT NO. 2 OF MONTGOMERY COUNTY, TEXAS

By _____
J. D. Peoples, President

ATTEST:

W. H. Homrighaus, Secretary

(SEAL)

ORDER AUTHORIZING SALE OF BONDS

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

WHEREAS, the Board of Directors of Southern Montgomery County Municipal Utility District has on this day adopted an order authorizing the issuance by said District of the following described bonds:

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 1972, dated November 1, 1972, numbered consecutively from 1 to 48, in the denomination of \$5,000 each, aggregating \$240,000 and maturing serially on March 1 in each of the years 1975 through 1990;

and

WHEREAS, pursuant to duly published notice to bidders offering said Bonds for sale, the bid of the Texas Water Development Board has been received offering to purchase said Bonds for a price of par plus accrued interest to the date of delivery plus a premium necessary to adjust the interest rate of said Bonds to the state statutory lending rate of 4.95333%;

and

WHEREAS, the Board of Directors deems it advisable that the Bonds be sold in accordance with this offer; Now, Therefore,

BE IT ORDERED BY THE BOARD OF DIRECTORS OF SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT:

Section 1: That the matters and facts recited in the above preamble are hereby found to be true and correct.

Section 2: That the sale of the Bonds described above in the preamble of this order to the Texas Water Development Board for a price of par plus accrued interest thereon from

the date of the Bonds to the date of actual delivery plus a premium necessary to adjust the interest rate of said Bonds to the state statutory lending rate of 4.95333%, subject to the unqualified approving opinion as to the legality of the Bonds of the Attorney General of the State of Texas and of Vinson, Elkins, Searls, Connally & Smith, market attorneys, is hereby authorized, approved, ratified, and confirmed, and it is found that the bid of said purchaser is the highest and best bid obtained for the Bonds. When the Bonds have been approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, they will be delivered to the named purchaser upon receipt of the full purchase price.

PASSED AND APPROVED this 14th day of November, 1972.

Orval R. Love P.E.
/s/ Orval R. Love, P.E.
President, Board of Directors,
Southern Montgomery County
Municipal Utility District

ATTEST:

/s/ Albert A. Martin
Secretary, Board of Directors,
Southern Montgomery County
Municipal Utility District

(SEAL)

TEXAS WATER COMMISSION

1987

Paul Hopkins, Chairman
John O. Houchins, Commissioner
B. J. Wynne, III, Commissioner



James K. Rourke, Jr., General Counsel
Michael E. Field, Chief Examiner
Karen A. Phillips, Chief Clerk

Larry R. Soward, Executive Director

October 28, 1987

*STP expansion
water plant modification*

Mr. Morris High, President
Southern Montgomery County Municipal Utility District
25212 I-45 North
Spring, Texas 77386

Re: Southern Montgomery County Municipal Utility District;
Application for Approval of Change in Approved Bond Interest
Rate, \$610,000 Bond Issue Approved May 14, 1987
TWC Internal Control No. 102287-DO3 (TC/FA)

Dear Mr. High:

On October 22, 1987, the Commission received the District's application requesting Commission approval of an increase in the approved bond interest rate for the District's \$610,000 Series 1987 Bonds.

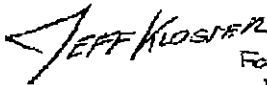
By order dated May 14, 1987, the Commission had previously approved a \$610,000 Series 1987 bond issue for this district based on a maximum average bond interest rate of 8%. The District's attorney has advised that the Board of Directors for this District have awarded the sale of the bonds to Juran and Moody, Inc. on October 21, 1987 at a net-effective interest rate of 8.3126%. The District awarded this sale with a maturity schedule different from that originally approved by the Commission. The new maturity schedule was revised by decreasing the initial principal payment in 1991 and increasing the final payment in 1994 resulting in no change in total bond amount.

Pursuant to Commission Rule 31 TAC 311.84(a), the Commission's staff has reviewed the District's application and supporting materials. Based on the information provided, the staff has determined that no changes in the approved plans, specifications, or required initial tax rate are anticipated, and that the

Mr. Morris High
October 28, 1987
Page 2

increased bond interest rate should not affect the overall feasibility of the District's project. Therefore, the revised maturity schedule and the District's application for approval of the increased net effective bond interest rate of 8.3125% on its \$610,000 Series 1987 bonds is hereby approved.

Sincerely,


FOR
DEAN ROBBINS

Dean Robbins, P.E.
Director, Water Utilities Division

cc: Mr. Bill Corsbie, P.C.
Ms. Margaret Lloyd - Rotan Mosle

DR:swj:ljl:km

**Information Return for Tax-Exempt
Governmental Bond Issues**

Under Section 149(e)
(Use Form 8038-GC if issue price is under \$100,000.)

OMB No. 1545-0720
Expires 12-31-89

Reporting Authority Check box if Amended Return

1 Issuer's name: Southern Montgomery County Municipal Utility District

2 Issuer's employer identification number: [REDACTED]

3 Number and street: 25212 Interstate Highway 45 North

4 Report number: G198

5 City or town, state, and ZIP code: SPRING, TEXAS 77386

6 Date of issue: Nov 1, 1987

Type of Issue (check box(es) that applies)

7 Check box if bonds are tax or other revenue anticipation bonds

8 Check box if bonds are in the form of a lease or installment sale

9 Education

10 Health and hospital

11 Transportation

12 Public safety

13 Environment (including sewage bonds)

14 Housing

15 Utilities

16 Other. Describe (see instructions) ▶

Issue Price
<u>\$610,000³²</u>

Description of Bonds

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
17 Final maturity	<u>March 1, 1994</u>	<u>8%</u>	<u>185,000</u>	<u>185,000</u>			
18 Entire issue			<u>610,000</u>	<u>610,000</u>	<u>4.981 years</u>	<u>—</u>	<u>8.3126%</u>

Uses of Original Proceeds of Issue (including underwriters' discount)

19 Proceeds used for accrued interest	<u>\$ 5,063³²</u>
20 Proceeds used for bond issuance costs (including underwriters' discount)	<u>\$51,040³²</u>
21 Proceeds used for credit enhancement	<u>-0-</u>
22 Proceeds allocated to reasonably required reserve or replacement fund	<u>-0-</u>
23 Proceeds used to refund prior issues	<u>-0-</u>
24 Nonrefunding proceeds of the issue (subtract lines 20, 21, 22, and 23 from line 18, column (c))	<u>\$558,960³²</u>

Description of Refunded Bonds (complete this part only for refunding bonds)

25 Enter the remaining weighted average maturity of the bonds to be refunded ▶ years

26 Enter the last date on which the refunded bonds will be called ▶

27 Enter the date(s) the refunded bonds were issued ▶

Miscellaneous

28 Enter the amount (if any) of the state volume cap allocated to this issue ▶ -0-

29 Arbitrage rebate:

a Check box if the small governmental unit exception to the arbitrage rebate requirement applies

b Check box if the 6-month temporary investment exception to the arbitrage rebate requirement is expected to apply

c Check box if you expect to earn and rebate arbitrage profits to the U.S.

30 Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(ii) ▶ \$ 610,000³²

31 Pooled financings:

a Check box if any of the proceeds of this issue are to be used to make loans to other governmental units ▶ and enter the amount ▶

b Check box if this issue is a loan made from the proceeds of another tax-exempt issue ▶ and enter the name of the issuer ▶ and the date of the issue ▶

Please Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

[Signature] 12/2/87 President Board of Directors

Signature of officer Date Title

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
 UNLIMITED TAX AND REVENUE BONDS - SERIES 1987
 BID VERIFICATIONS - OCTOBER 21, 1987

=====

DEBT SERVICE SCHEDULE

=====

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
9/ 1/88			38,947.92	38,947.92	38,947.92
3/ 1/89			23,368.75	23,368.75	
9/ 1/89			23,368.75	23,368.75	46,737.50
3/ 1/90			23,368.75	23,368.75	
9/ 1/90			23,368.75	23,368.75	46,737.50
3/ 1/91	125,000.00	7.250000	23,368.75	148,368.75	
9/ 1/91			18,837.50	18,837.50	167,206.25
3/ 1/92	150,000.00	7.500000	18,837.50	168,837.50	
9/ 1/92			13,212.50	13,212.50	182,050.00
3/ 1/93	150,000.00	7.750000	13,212.50	163,212.50	
9/ 1/93			7,400.00	7,400.00	170,612.50
3/ 1/94	185,000.00	8.000000	7,400.00	192,400.00	
9/ 1/94					192,400.00
	-----		-----	-----	
	610,000.00		234,691.67	844,691.67	
ACCRUED					
	610,000.00		234,691.67	844,691.67	
	=====		=====	=====	

DATED 11/ 1/87 WITH DELIVERY OF 11/ 1/87
 BOND YEARS 3,038.333
 AVERAGE COUPON 7.724
 AVERAGE LIFE 4.981
 N I C % 8.312606 % USING 97.0700000

Uyan

1993

Dechlorination
Windy

money or Governmental Obligations and for the provisions of Sections 3.5 and 3.6 and for the continuing compliance of the Issuer with the provisions of Section 13.02.

ARTICLE SIXTEEN
AWARDING SALE OF THE BONDS
AND APPROVAL OF OFFICIAL STATEMENT

SECTION 16.01: AWARDING SALE OF THE BONDS.

The Bonds are hereby officially sold and awarded to Clayton Brown and Associates, Inc., whose bid was the best bid received by the District for the Bonds, at a price of par, plus accrued interest from the date of the Bonds to the Closing Date, and less a discount of \$86,556.25, for a net effective interest rate of 5.5669%.

SECTION 16.02: APPROVAL OF OFFICIAL STATEMENT.

The form and substance of the Official Statement for the Bonds and any addenda, supplement or amendment thereto (the "Official Statement"), are hereby in all respects approved and adopted by the District Board of Directors. Said Official Statement as thus approved, executed and delivered, with such appropriate variations as thus approved may be used by said purchasers in the public offering and sale of the Bonds.

ARTICLE SEVENTEEN
MISCELLANEOUS

SECTION 17.01: APPROVAL AND REGISTRATION OF BONDS BY STATE OFFICERS.

It shall be the duty of the President of the Board of Directors, or someone acting under authority of said President, to submit the record of the Bonds, and the Bonds, to the Attorney General of the State of Texas for examination and approval, and thereafter have such bonds registered by the Comptroller of Public Accounts of the State of Texas.

SECTION 17.02: DUTIES OF DISTRICT'S OFFICIALS.

The President and Secretary of the Board of Directors and other appropriate officers of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the provisions of this Order.

SECTION 17.03: EFFECTIVE DATE OF ORDER.

This Order shall become effective and be in full force upon and after its adoption and it is so resolved.

Information Return for Tax-Exempt Governmental Obligations

Under Section 149(e)
See separate instructions
(Use Form 8038-GC if the issue price is under \$10,000)

OMB No. 1545-0720
Expires 5-31-92

Part III Reporting Authority

Check box if Amended Return

1 Issuer's name SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT		2 Issuer's employer identification number [REDACTED]	
3 Number and street 25212 I-45 NORTH		4 Report number 019 93 - 1	
5 City or town, state, and ZIP code SPRING, TEXAS 77386		6 Date of issue May 27, 1993	
7 Name of issue WATERWORKS & SEWER SYSTEM COMBINATION UNLIMITED TAX & REVENUE BONDS		8 CUSIP Number 84-3393	

Part IV Type of Issue (check box(es) that applies and enter the Issue Price)

9 Check box if obligations are tax or other revenue anticipation bonds <input type="checkbox"/>	Issue price \$ 2,900,000.00
10 Check box if obligations are in the form of a lease or installment sale <input type="checkbox"/>	
11 <input type="checkbox"/> Education	
12 <input type="checkbox"/> Health and hospital	
13 <input type="checkbox"/> Transportation	
14 <input type="checkbox"/> Public safety	
15 <input type="checkbox"/> Environment (including sewage bonds)	
16 <input type="checkbox"/> Housing	
17 <input checked="" type="checkbox"/> Utilities	
18 <input type="checkbox"/> Other. Describe (see instructions) <input type="checkbox"/>	

Part II Description of Obligations

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
19 Final maturity	MARCH 1, 2018	5.00%	250,000	226,922.50			
20 Entire issue			2,813,443.70	2,900,000.00	16.56 years	%	5.5669 %

Part IV Uses of Original Proceeds of Bond Issues (Including underwriters' discount)

21 Proceeds used for accrued interest	21	17,176.72
22 Issue price of entire issue (enter line 20c)	22	2,900,000.00
23 Proceeds used for bond issuance costs (including underwriters' discount)	23	215,660.25
24 Proceeds used for credit enhancement	24	N/A
25 Proceeds allocated to reasonably required reserve or replacement fund	25	N/A
26 Proceeds used to refund prior issues	26	N/A
27 Total (add lines 23, 24, 25, and 26)	27	215,660.25
28 Nonrefunding proceeds of the issue (subtract line 27 from line 22 and enter amount here)	28	2,684,339.75

Part IV Description of Refunded Bonds (complete this part only for refunding bonds)

29 Enter the remaining weighted average maturity of the bonds to be refunded	years	
30 Enter the last date on which the refunded bonds will be called		N/A
31 Enter the date(s) the refunded bonds were issued		

Part VI Miscellaneous

32 Enter the amount of the state volume cap allocated to the issue	N/A
33 Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(III) (small issuer exception)	2,900,000.00
34 Pooled financings:	
a Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	N/A
b Check box if this issue is a loan made from the proceeds of another tax-exempt issue <input type="checkbox"/> and enter the name of the issuer <input type="checkbox"/>	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Please Sign Here

Kerry L. Masson May 26, 1993
Signature of officer Date

Kerry L. Masson, President
Type or print name and title

1993

SECTION 8.07: INITIAL BOND INSERTIONS.

(i) The Initial Bond shall be in the form set forth in Section 8.03 of this Article, except that:

A. immediately under the name of the Bond the headings "Interest Rate" and "Due" shall both be completed with the expression "as shown below;"

B. in the first paragraph:

1. the words "on the due date specified above the sum of _____ Dollars" shall be deleted and the following will be inserted: "on the first day of March in each of the years, the sum of \$2,900,000 Dollars in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

YEAR	PRINCIPAL INSTALLMENT	INTEREST RATE
1 1995	\$ 50,000	7.50 %
2 1996	\$ 50,000	7.50 %
3 1997	\$ 50,000	7.50 %
4 1998	\$ 50,000	7.50 %
5 1999	\$ 75,000	7.50 %
6 2000	\$ 75,000	7.50 %
7 2001	\$ 75,000	7.50 %
8 2002	\$ 75,000	7.50 %
9 2003	\$ 75,000	7.50 %
10 2004	\$100,000	7.50 %
2005	\$100,000	7.50 %
2006	\$100,000	6.00 %
2007	\$100,000	5.50 %
2008	\$125,000	5.50 %
2009	\$125,000	5.50 %
2010	\$150,000	5.00 %
2011	\$150,000	5.00 %
2012	\$150,000	5.00 %
2013	\$175,000	5.00 %
2014	\$175,000	5.00 %
2015	\$200,000	5.00 %
2016	\$200,000	5.00 %
2017	\$225,000	5.00 %
2018	\$250,000	5.00 %

10 years
at
S. 5669

Refunded
by
2004
bonds

2012
and 2004
Bonds
were

refunded
by 2012

C. the Initial Bond shall be numbered T-1.

(ii) The following Registration Certificate of the Comptroller of Public Accounts shall appear on the Initial Bond:

\$3,150,000

1998

Southern Montgomery County Municipal Utility District

WATERWORKS AND SEWER SYSTEM

COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 1998

OFFICIAL BID FORM

CGEC
24,100
BO
AAA 8 1/2 P

W 2
W 1/2
Upgrade

President and Board of Directors
Southern Montgomery County Municipal Utility District
25212 IH-45 North
Spring, Texas 77386

Board of Directors:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement, which is hereby made a part hereof, of Southern Montgomery County Municipal Utility District (the "District"), relating to its \$3,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1998 (the "Bonds"). We realize that the Bonds involve investment risks and that the ability of the District to service the Bonds depends on certain investment considerations as set forth in the Preliminary Official Statement. We have made such inspection and investigation as we deem necessary relating to the investment quality of the Bonds. We offer to purchase the Bonds for a cash price of \$ 3,055,500.00 (which represents 97.0 % of par value) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

<u>Maturity (March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity (March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
1 2000	\$ 25,000	6.75	13 2012	\$100,000	4.25
2 2001	25,000	6.75	14 2013	100,000	4.25
3 2002	25,000	6.75	15 2014	100,000	4.30
4 2003	25,000	6.75	2015	100,000	4.40
5 2004	50,000	6.75	2016	100,000	4.50
6 2005	50,000	6.75	2017	100,000	4.60
7 2006	50,000	6.75	2018	100,000	4.65
8 2007	50,000	6.75	2019	350,000	4.65
9 2008	75,000	6.75	2020	350,000	4.70
10 2009	75,000	4.25	2021	350,000	4.70
11 2010	75,000	4.25	2022	375,000	4.75
12 2011	100,000	4.25	2023	400,000	4.75

Re Funded by Series 2012

The mandatory sinking fund installments checked above, if any, shall be applied for the redemption of term bonds maturing as follows:

<u>Term Bond Maturity Date</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bond</u>	<u>Interest Rate</u>
March 1			

Our calculation (which is not a part of this bid) of interest cost from the above is:

Total Interest Cost from November 1, 1998	\$ 2,622,504.17
Plus: Cash Discount	\$ 94,500.00
Net Interest Cost	\$ 2,717,004.17
Net Effective Interest Rate	4.7231 % ✓

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
 \$3,150,000 WATERWORKS AND SEWER SYSTEM COMBINATION
 UNLIMITED TAX BONDS AND REVENUE BONDS, SERIES 1998
 BIDDING RESULTS--October 12, 1998
 smcbid

Year	Bonds	Years	Bond Years	Southwest Securities		Furdenfial		First southwest		Dean Wilcox	
				Coupon	Interest Cost	Coupon	Interest Cost	Coupon	Interest Cost	Coupon	Interest Cost
2000	25	1.333	33.3333	6.750	2,250.00	3.550	1,283.33	3.500	1,200.00	3.500	1,168.67
2001	25	2.333	88.3333	6.750	3,937.50	3.650	2,129.17	3.750	2,187.50	3.600	2,100.00
2002	25	1.333	81.3333	6.750	5,625.00	3.750	3,325.00	3.800	3,166.67	3.650	3,041.67
2003	25	4.333	108.3333	6.750	7,312.50	3.850	4,170.83	3.900	4,225.00	3.700	4,008.33
2004	50	5.333	266.6667	6.750	18,000.00	3.950	10,533.33	3.950	10,533.33	3.800	10,133.33
2005	50	6.333	316.6667	6.750	21,375.00	4.050	12,825.00	4.000	12,666.67	3.900	12,350.00
2006	50	7.333	366.6667	6.750	24,750.00	4.100	15,033.33	4.050	14,850.00	4.000	14,666.67
2007	50	8.333	416.6667	6.750	28,125.00	4.150	17,231.67	4.100	17,033.33	4.100	17,083.33
2008	75	9.333	700.0000	6.750	47,250.00	4.250	29,750.00	4.150	29,050.00	4.150	29,050.00
2009	75	10.333	775.0000	4.250	32,937.50	4.300	33,325.00	4.100	31,775.00	4.250	32,937.50
2010	75	11.333	850.0000	4.250	36,125.00	4.350	35,975.00	4.100	34,850.00	4.350	36,975.00
2011	100	13.333	1,233.3333	4.250	51,416.67	4.350	53,650.00	4.250	51,281.33	4.500	55,500.00
2012	100	13.333	1,333.3333	4.250	55,866.67	4.400	58,666.67	4.200	56,050.00	4.500	60,000.00
2013	100	14.333	1,433.3333	4.250	60,316.67	4.450	63,733.33	4.250	60,916.67	4.500	64,500.00
2014	100	15.333	1,533.3333	4.300	65,833.33	4.500	69,000.00	4.300	65,933.33	4.500	69,000.00
2015	100	16.333	1,633.3333	4.400	71,866.67	4.550	74,326.67	4.400	71,866.67	4.600	75,133.33
2016	100	17.333	1,733.3333	4.500	78,000.00	4.600	79,733.33	4.600	79,733.33	4.600	79,733.33
2017	100	18.333	1,833.3333	4.600	84,333.33	4.650	85,250.00	4.600	84,333.33	4.600	84,333.33
2018	100	19.333	1,933.3333	4.650	89,800.00	4.700	90,866.67	4.600	88,933.33	4.600	88,933.33
2019	350	20.333	7,316.6667	4.650	330,925.00	4.750	338,041.67	4.600	327,366.67	4.900	348,716.67
2020	350	21.333	7,466.6667	4.700	350,933.33	4.800	343,466.67	4.600	343,466.67	4.900	365,866.67
2021	350	22.333	7,616.6667	4.700	367,283.33	4.800	359,566.67	4.750	371,231.67	4.900	383,016.67
2022	275	23.333	6,750.0000	4.250	313,875.00	4.600	403,500.00	4.750	415,625.00	4.900	428,750.00
2023	100	24.333	9,733.3333	4.250	413,666.67	4.600	447,733.33	4.750	462,333.33	4.900	476,933.33
Interest	3,150		57,925		18,36190		2,632,916.67		2,640,570.83		2,743,829.17
Discount							24,500.00		94,500.00		71,933.33
Net Interest Cost							2,717,004.17		2,735,070.83		2,815,868.42
Net Effective Rate							4.723171		4.754578		4.895034
Percent of Par							97.000%		97.000%		97.716%

2,224,048.35

2004
These bonds refund the 1993 Bonds

\$2,224,048.35

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND REVENUE REFUNDING BONDS
SERIES 2004

OFFICIAL BID FORM

President and Board of Directors
c/o The GMS Group, L.L.C.
5075 Westheimer, Suite 1175
Houston, Texas 77056-5600

We have read in detail your request for underwriter proposals/bidding instructions and accompanying Preliminary Official Statement, which is hereby made a part hereof, of Southern Montgomery County Municipal Utility District (the "District"), relating to its Unlimited Tax and Revenue Refunding Bonds, Series 2004 (the "Bonds"). We realize that the Bonds involve investment risks and that the ability of the District to service the Bonds depends on certain investment considerations as set forth in the Preliminary Official Statement. We have made such inspection and investigation as we deem necessary relating to the investment quality of the Bonds. We offer to purchase the Bonds for a cash price that will be determined based upon the bid information provided below, plus accrued interest on the Current Interest Bonds from the dated date to the date of delivery to us, provided such Bonds bear interest and include reoffering yields as noted in the tables below. We understand that the aggregate dollar amount bid by the successful bidder may be adjusted proportionately to reflect any reduction or increase in the final principal amounts of the Bonds in accordance with the provisions stated under "Conditions of Sale" in the REQUEST FOR UNDERWRITER PROPOSALS/BIDDING INSTRUCTIONS.

159,048.35

\$149,024.45 CAPITAL APPRECIATION BONDS

A bidder only needs to identify the reoffering yields required in order to market the Capital Appreciation Bonds in the table below. The District will complete the balance of the table for each bidder and will advise each bidder of the appropriate amounts.

Original Principal Amount (a)	Maturity	Maturity Amount*	Dollar Price Per \$100	Stated Purchase Price	Reoffering Yield
93,770.60	March 1 2005	110,000 \$135,000	\$ 98.726	\$ 179,000	1.40 %
54,113.75	2008	200 \$125,000	\$ 96.507	\$ 125,000	1.85 %
11,144.00	2007	30,000 \$20,000	\$ 94.056	\$ 18,611.00	2.10 %

Our bid assumes an underwriting spread of \$ 6.49 per bond on the Capital Appreciation Bonds; we understand that such underwriter's spread will be paid on the par amount of the Capital Appreciation Bonds and the premium on the Capital Appreciation Bonds.

(a) Maturity amount will change such that the original principal amount when added to the principal amount of current interest bonds will be less than \$2,225,000.

2,065,000 \$2,075,000 CURRENT INTEREST BONDS

A bidder should identify the interest rate and the reoffering yields required for each maturity in the table below.

Maturity	Principal Amount*	Interest Rate%	Reoffering Yield%
4 2007	300,000	3.0 %	1.85 %
5 2008	340,000	3.0 %	2.28 %
6 2009	140,000	3.0 %	2.53 %
7 2010	180,000	3.0 %	2.80 %
8 2011	160,000	3.0 %	3.00 %
9 2012	155,000	3.2 %	3.30 %
10 2013	180,000	3.4 %	3.50 %
11 2014	175,000	3.55 %	3.68 %
12 2015	200,000	— %	— %
13 2016	200,000	3.90 %	3.95 %
14 2017	220,000	— %	— %
15 2018	245,000	4.00 %	4.10 %

11 years @ 3.64128% Series by Refunded 2012 Bonds

Our bid assumes an underwriting spread of \$ 9.80 per bond on the Current Interest Bonds.

The mandatory sinking fund installments checked below, if any, shall be applied for the redemption of term bonds maturing as follows:

Term Bond Maturity Date	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate %
<u>March 1</u>			
<u>2016</u>	<u>2015</u>	<u>400,000</u>	<u>3.90</u>
<u>2018</u>	<u>2017</u>	<u>465,000</u>	<u>4.00</u>
_____	_____	_____	_____
_____	_____	_____	_____

This bid is submitted assuming that bond insurance will be provided by FSA. It is understood that bond insurance premium and the rating will be paid for by the District.

The initial Bonds shall be registered in the name of Cede & Co. We will advise Wells Fargo Bank, National Association (the "Paying Agent/Registrar"), on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for initial delivery. We understand that the Paying Agent/Registrar will not be required to accept any further registration instructions after the five-day period.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Request for Underwriter's Proposal, with such changes thereto as may be acceptable to the District.

Check No. 10001456, issued by Frost Bank, Austin, Texas and payable to your order in the amount of \$40,000 ~~is attached hereto~~ has been made available to you prior to the opening of this bid as a Good Faith Deposit for disposition in accordance with the bidding instructions. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Bidding Instructions, this check shall be cashed and the proceeds retained by the District as complete liquidated damages against us. We understand that the sale of the Bonds has not been registered or qualified under the securities laws of any jurisdiction and that it is our responsibility to obtain such registration or qualification if any is required.

Respectfully submitted,
SAMCO Capital Markets

 by Michael B. Wadsworth

 Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Southern Montgomery County Municipal Utility District, Montgomery County, Texas this 11th day of February 2004.

Carol A. Lee

 President, Board of Directors
[Signature]

 Secretary, Board of Directors

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT

Order Awarding Sale of Bonds

The board of directors ("Board") of Southern Montgomery County Municipal Utility District ("District") met at the Board's regular meeting place on February 11, 2004, with a quorum of directors present, as follows:

Orval R. Love, President
Kerry Masson, Vice President
Albert H. Newton, Secretary
Bruce Harrison, Treasurer
Christine Stebel, Director

and the following absent:

None

when the following business was transacted:

The order set out below was introduced for consideration of the Board. It was then duly moved and seconded that said order be adopted; and, after due discussion, said motion carried by the following vote:

Ayes: All directors shown present.

Noes: None.

The order thus adopted is as follows:

Be it ordered by the board of directors of Southern Montgomery County Municipal Utility District that to enable the District to refund \$2,225,000 of the District's \$2,900,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1993, pursuant to the bid of SAMCO Capital Markets (the "Purchaser"), which bid was accepted by said Board after the taking of public bids therefor, and which bid contained the best terms and the best possible price for said bonds, that there be sold to Purchaser bonds at par, or

\$2,224,048.35 (yielding a net effective interest rate of 3.641286% per annum), plus accrued interest from March 1, 2004, to the date of delivery, the following described bonds (the "Bonds"):

\$2,224,048.35 Southern Montgomery County Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2004, dated March 1, 2004, ordered to be issued by a bond order adopted on February 11, 2004.

At the request of the Purchaser, the Initial Bonds shall be registered in the name of Cede & Co.

The Bonds shall be delivered to the Purchaser upon the payment of said purchase price, subject to the unqualified approving opinion of the Attorney General of Texas and the unqualified approving opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas.

Delivery is to be made directly to said Purchaser at a bank agreeable to both District and Purchaser.

\$6,350,000

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2009

OFFICIAL BID FORM

2009
Wmty Wp 3
relaxed

President and Board of Directors
Southern Montgomery County Municipal Utility District
The CMS Group, L.L.C.
4075 Westheimer, Suite 1175
Houston, Texas 77056-6600

Board of Directors:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement, which is hereby made a part hereof of Southern Montgomery County Municipal Utility District (the "District"), relating to its \$6,350,000 Unlimited Tax Bonds, Series 2009 (the "Bonds"). We realize that the Bonds involve investment risks and that the ability of the District to service the Bonds depends on certain investment considerations as set forth in the Preliminary Official Statement. We have made such inspection and investigation as we deem necessary relating to the investment quality of the Bonds. We offer to purchase the Bonds for a cash price of \$6,151,500.00 (which represents 97 % of par value) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

5 years of
5-27-40-49

Refunded
by Series
2016
Bonds

Principal Amount	Year of Maturity	Interest Rate
1 \$120,000	2012	5.75%
2 \$125,000	2013	5.75%
3 \$130,000	2014	5.75%
4 \$140,000	2015	5.75%
5 \$145,000	2016	5.75%
\$155,000	2017	4.15%
\$160,000	2018	4.15%
\$170,000	2019	4.45%
\$180,000	2020	4.45%
\$190,000	2021	4.50%
\$200,000	2022	4.50%
\$210,000	2023	5.00%
\$220,000	2024	5.00%
\$230,000	2025	5.00%
\$245,000	2026	5.00%
\$260,000	2027	5.00%
\$270,000	2028	5.125%
\$285,000	2029	5.125%
\$300,000	2030	5.125%
\$320,000	2031	5.20%
\$335,000	2032	5.20%
\$355,000	2033	5.20%
\$370,000	2034	5.25%
\$380,000	2035	5.25%
\$400,000	2036	5.25%
\$435,000	2037	5.25%

The mandatory sinking fund installments are as follows:

Term Bond Maturity Date	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate
2014	2013	515,400	4.12
2020	2019	340,263	4.40
2022	2021	130,180	4.50
2027	2023	434,054	5.00
2027	2023	233,000	5.00
2030	2024	732,020	5.125
2033	2027	1,210,000	5.30
2035	2029	720,000	5.45
2037	2031	245,000	5.25

Eligible for which a rate of interest was paid of 5.00% per annum.

Total Interest Obligation January 1, 2008

\$ 6,904,573.96

Plus Cash on Hand

\$ 190,520.00

Net Interest Debt

\$ 6,714,053.96

Net Effective Interest Rate

5.274049%

The holder of these bonds shall be required to pay the same in cash to the District by the date of delivery of the bonds. The holder of these bonds shall be required to pay the same in cash to the District by the date of delivery of the bonds. The holder of these bonds shall be required to pay the same in cash to the District by the date of delivery of the bonds.

The undersigned agrees to complete, execute and deliver to the District by the date of delivery of the bonds a certificate in the form attached hereto, which certificate shall be a receipt for the bonds and shall be a receipt for the bonds and shall be a receipt for the bonds.

We agree to make payment for the bonds of principal and interest at the office of Wells Fargo Bank, National Association, 1000 Texas North Street, Dallas, Texas 75202, on or before January 22, 2008, or on the date the bonds are redeemed or paid in full to the same or other office of said bank.

Tranche's Cash No. 203700, issued by First Bank, Austin, Texas and payable to order to the amount of \$127,000.00 which is hereby made available to the District of Texas for the purpose of the bonds. The District of Texas is hereby authorized to issue the bonds in accordance with the Official Code of State Statutes and the laws of the State of Texas in accordance with the terms and conditions set forth in the Official Code of State Statutes and the laws of the State of Texas. The undersigned agrees to complete, execute and deliver to the District of Texas a certificate in the form attached hereto, which certificate shall be a receipt for the bonds and shall be a receipt for the bonds.

Respectfully submitted,

Shirley Ann Keiser

No other members

James M. Stewart

James M. Stewart

ACERTANCE CLAUSE

The above and foregoing are hereby accepted by Southern Bell District, County of Dallas, Texas, on this 12th day of December, 2008.

K. Massam
President, Board of Directors

C. H. Quinter
Secretary, Board of Directors

PARITY Compare

Result Excel



Bids Comparison

S Montgomery Co MUD
\$6,350,000 Unlimited Tax Bonds, Series 2009

Vining-Sparks IBG, Limited Partnership - Chicago, IL

Maturity	Amount	Coupon
03/01/2012	120M	5.7500
03/01/2013	125M	5.7500
03/01/2014	130M	5.7500
03/01/2015	140M	5.7500
03/01/2016	145M	5.7500
03/01/2017		
03/01/2018	316M	4.1500
03/01/2019		
03/01/2020	350M	4.4000
03/01/2021		
03/01/2022	390M	4.5000
03/01/2023		
03/01/2024	430M	5.0000
03/01/2025		
03/01/2026		
03/01/2027	735M	5.0000
03/01/2028		
03/01/2029		
03/01/2030	855M	5.1250
03/01/2031		
03/01/2032		
03/01/2033	1,010M	5.2000
03/01/2034		
03/01/2035	760M	5.2500
03/01/2036		
03/01/2037	845M	5.2500

NIC 5.274049
Purchase Price \$6,159,500.00

Bernardi Securities, Inc. - Chicago, IL

Maturity	Amount	Coupon
03/01/2012	120M	6.0000
03/01/2013	125M	6.0000
03/01/2014	130M	6.0000
03/01/2015	140M	6.0000
03/01/2016	145M	6.0000
03/01/2017	155M	6.0000

GMS Group, L.L.C. - Houston, TX

Maturity	Amount	Coupon
03/01/2012	120M	3.5000
03/01/2013	125M	3.5000
03/01/2014	130M	3.6000
03/01/2015	140M	3.6500
03/01/2016	145M	3.8000
03/01/2017	155M	4.0000
03/01/2018	160M	4.1500
03/01/2019	170M	4.3000
03/01/2020	180M	4.4500
03/01/2021	190M	4.6000
03/01/2022	200M	4.7500
03/01/2023	210M	4.9000
03/01/2024	220M	5.0000
03/01/2025		
03/01/2026		
03/01/2027	735M	5.2000
03/01/2028		
03/01/2029		
03/01/2030	855M	5.5000
03/01/2031		
03/01/2032		
03/01/2033	1,010M	5.8000
03/01/2034		
03/01/2035		
03/01/2036		
03/01/2037	1,605M	6.0000

NIC 5.684387
Purchase Price \$6,159,500.00

SAMCO Capital Markets - Dallas, TX

Maturity	Amount	Coupon
03/01/2012	120M	6.0000
03/01/2013	125M	6.0000
03/01/2014	130M	6.0000
03/01/2015	140M	6.0000
03/01/2016	145M	6.0000
03/01/2017		

Morgan Keegan & Co., Inc. - Memphis, TN

Maturity	Amount	Coupon
03/01/2012	120M	6.0000
03/01/2013	125M	6.0000
03/01/2014	130M	6.0000
03/01/2015	140M	6.0000
03/01/2016	145M	6.0000
03/01/2017	155M	6.0000
03/01/2018		
03/01/2019	330M	7.0000
03/01/2020		
03/01/2021	370M	7.0000
03/01/2022		
03/01/2023	410M	7.0000
03/01/2024		
03/01/2025	450M	6.0000
03/01/2026		
03/01/2027	505M	6.0000
03/01/2028		
03/01/2029	555M	6.0000
03/01/2030		
03/01/2031	620M	6.0000
03/01/2032		
03/01/2033	690M	6.0500
03/01/2034		
03/01/2035	760M	6.1000
03/01/2036		
03/01/2037	845M	6.2000

NIC 6.337312
Purchase Price \$6,159,500.00

Sterne, Agee & Leach, Inc. - Birmingham, AL

Maturity	Amount	Coupon
03/01/2012	120M	9.0000
03/01/2013	125M	9.0000
03/01/2014	130M	9.0000
03/01/2015	140M	9.0000
03/01/2016	145M	9.0000
03/01/2017		

2012 Refunds to 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING A DESCRIPTION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 843393

RATINGS: "A1" Underlying "Aa3" (on review for possible downgrade) Insured Moody's
 See "BOND INSURANCE" and "MUNICIPAL BOND RATING" herein

\$3,095,000

SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX REFUNDING BONDS

SERIES 2012

Dated: April 1, 2012

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2012 Refunding Bonds") will accrue from April 1, 2012, and will be payable on September 1 and March 1 of each year, commencing September 1, 2012. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, National Association in Dallas, Texas. See "THE BONDS Paying Agent/Registrar."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp ("AGM").



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)	Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)
\$25,000	2013	2.00%	0.85%	\$345,000	2019	3.00%	2.05%
\$20,000	2014	2.00%	1.10%	\$340,000	2020 (b)	3.00%	2.35%
\$320,000	2015	2.00%	1.05%	\$335,000	2021 (b)	3.50%	2.55%
\$310,000	2016	2.00%	1.25%	\$355,000	2022 (b)	4.00%	2.67%
\$325,000	2017	2.50%	1.45%	\$375,000	2023 (b)	4.00%	2.83%
\$345,000	2018	2.50%	1.80%				

Refunded by Series 2021 Bonds

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

(b) The Bonds maturing on or after March 1, 2020 are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2019, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form). See "THE BONDS—Optional Redemption."

The proceeds of the Bonds will be used by Southern Montgomery County Municipal Utility District (the "District") to currently refund certain of the District's bonds that are presently outstanding and to pay certain issuance and administrative expenses. See "PLAN OF FINANCING." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Houston, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the Underwriter by Fulbright & Jaworski L.L.P., Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about April 26, 2012.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

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

SALE AND DISTRIBUTION OF BONDS

Award of the Bonds

The Bonds are being purchased by First Southwest Company (the "Underwriter") pursuant to a proposal submitted to the District at a price of \$3,233,448.45 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price includes an Underwriter's discount of \$19,653.25 and produces a net effective interest rate of 2.501521%.

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

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

Prices and Marketability:

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

John Refunder 2009

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING A DESCRIPTION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 843393

RATINGS: "AA3" Moody's Underlying
 See "MUNICIPAL BOND RATING" herein

\$5,655,000
SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
 (A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX REFUNDING BONDS
SERIES 2016

Dated: January 1, 2016

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2016 Refunding Bonds") will accrue from January 1, 2016, and will be payable on March 1 and September 1 of each year, commencing September 1, 2016. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Amegy Bank, a division of ZB, National Association in Houston, Texas. See "THE BONDS - Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$190,000	2017	2.00%	1.00%	\$270,000	2028 (b)	4.00%	2.47%
\$190,000	2018	2.00%	1.30%	\$280,000	2029 (b)	4.00%	2.57%
\$200,000	2019	2.00%	1.40%	\$290,000	2030 (b)	4.00%	2.67%
\$205,000	2020	2.00%	1.58%	\$305,000	2031 (b)	4.00%	2.77%
\$210,000	2021	2.00%	1.73%	\$315,000	2032 (b)	4.00%	2.87%
\$220,000	2022 (b)	3.00%	1.98%	\$330,000	2033 (b)	4.00%	2.97%
\$225,000	2023 (b)	3.00%	2.07%	\$340,000	2034 (b)	4.00%	3.07%
\$230,000	2024 (b)	3.00%	2.17%	\$355,000	2035 (b)	4.00%	3.20%
\$235,000	2025 (b)	3.00%	2.27%	\$370,000	2036 (b)	4.00%	3.30%
\$250,000	2026 (b)	4.00%	2.27%	\$385,000	2037 (b)	4.00%	3.40%
\$260,000	2027 (b)	4.00%	2.37%				

Refunded by Series 2021 Bonds

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2022 are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2021, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form). See "THE BONDS—Optional Redemption."

The proceeds of the Bonds will be used by Southern Montgomery County Municipal Utility District (the "District") to currently refund certain of the District's bonds that are presently outstanding and to pay certain issuance and administrative expenses. See "PLAN OF FINANCING." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Houston, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about January 28, 2016.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

SALE AND DISTRIBUTION OF BONDS

Award of the Bonds

The Bonds are being purchased by Coastal Securities, Inc. and SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a proposal submitted to the District at a price of \$5,869,653.65 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price includes an Underwriter's discount of \$37,040.25 and produces a net effective interest rate of 3.454333%.

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

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

Prices and Marketability:

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

Our calculation (which is not a part of this bid) of interest cost from the above is:

Total Interest Cost from February 1, 2018

\$ 1,263,086.46

Plus. Cash Discount

\$ 49,144.39

Net Interest Cost

\$ 1,311,231.26

Net Effective Interest Rate

2.955057%

If we purchase the Bonds, with bond insurance, and subsequent to the sale date and prior to the closing date, the Insurer's credit rating is downgraded we understand that we are still obligated to accept delivery of the Bonds.

The definitive Bonds shall be initially registered and delivered only to CEDE & Co., Inc. the Nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described in the Official Statement. We will advise ZB, National Association, dba Amegy Bank (the "Paying Agent/Registrar"), on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for initial delivery. We understand that the Paying Agent/Registrar will not be required to accept any further registration instructions after the five-day period.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Notice of Sale, with such changes thereto as may be acceptable to the District. In addition, in the event all of the Bonds are not sold to ultimate customers prior to the date of delivery of the Bonds, we will so notify the District on such date.

Cashier's Check No. 069230, issued by Frost Bank Bank, Aus. Tex., Tx and payable to your order in the amount of \$66,600 is attached hereto or has been made available to you prior to the opening of this bid as a Good Faith Deposit for disposition in accordance with the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Official Notice of Sale, this check shall be cashed and the proceeds retained by the District as complete liquidated damages against us. We understand that the sale of the Bonds has not been registered or qualified under the securities laws of any jurisdiction and that it is our responsibility to obtain such registration or qualification, if any is required.

The District may not accept this bid until it has received from the bidder, if that bidder is a privately held entity, a completed and signed TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC") pursuant to Texas Government Code § 2252.908, and the rules promulgated thereunder by the TEC. The undersigned understands that failure to provide said form complete with a certificate number assigned by the TEC as provided for in the Official Notice of Sale will result in a non-conforming bid and will prohibit the District from considering this bid for acceptance.

We agree to make payment for the Bonds in immediately available funds at the office of ZB, National Association, dba Amegy Bank, in Houston, Texas, not later than 10:00 a.m., Houston time, on February 15, 2018, or hereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale.

Respectfully submitted,

By: Raymond James & Associates, Inc.

[Signature]

Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Southern Montgomery County Municipal Utility District this 17th day of January 2018

[Signature]
Secretary Board of Directors

[Signature]
President Board of Directors

OFFICIAL STATEMENT DATED DECEMBER 3, 2020

2021
 Ref-b 2022 + 2024

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.

NEW ISSUE—BOOK-ENTRY ONLY
 CUSIP No. 843393

RATINGS: Underlying "Aa3" Moody's
 See "MUNICIPAL BOND RATING" herein

\$5,410,000
SOUTHERN MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT
 (A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX REFUNDING BONDS
SERIES 2021

Dated: January 1, 2021

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2021 Refunding Bonds") will accrue from January 1, 2021, and will be payable on September 1 and March 1 of each year, commencing September 1, 2021. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is the Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS."

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$600,000	2022	3.00%	0.35%	\$295,000	2030 (b)	2.00%	1.33%
\$625,000	2023	3.00%	0.38%	\$305,000	2031 (b)	2.00%	1.42%
\$255,000	2024	3.00%	0.53%	\$305,000	2032 (b)	2.00%	1.51%
\$260,000	2025	3.00%	0.63%	\$315,000	2033 (b)	2.00%	1.61%
\$275,000	2026 (b)	3.00%	0.80%	\$320,000	2034 (b)	2.00%	1.66%
\$280,000	2027 (b)	2.00%	0.95%	\$325,000	2035 (b)	2.00%	1.71%
\$285,000	2028 (b)	2.00%	1.10%	\$335,000	2036 (b)	2.00%	1.77%
\$290,000	2029 (b)	2.00%	1.18%	\$340,000	2037 (b)	2.00%	1.82%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2026 are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2025, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form). See "THE BONDS—Optional Redemption."

The proceeds of the Bonds will be used by Southern Montgomery County Municipal Utility District (the "District") to refund certain outstanding bonds of the District and to pay issuance and administrative expenses. See "PLAN OF FINANCING." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Houston is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as Underwriters' Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about January 14, 2021.

HILLTOP SECURITIES

RBC CAPITAL MARKETS

USE OF INFORMATION IN OFFICIAL STATEMENT

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


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

Any information and expressions of opinion herein contained are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The following statement is provided by the Underwriter. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

UNDERWRITING

Award of the Bonds

The Bonds are being purchased by Hilltop Securities, Inc. and RBC Capital Markets, LLC (collectively, the "Underwriter") pursuant to a proposal submitted to the District at a price of \$5,572,597.30 which represents the principal amount of the Bonds \$5,410,000 plus an original issue premium of \$192,893.30 less an underwriters' discount of \$30,296.00 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price produces a net effective interest rate of 1.683137%. 

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

The Underwriter and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

2004

2004, until maturity. The Capital Appreciation Bonds shall be dated March 1, 2004, and bear interest from the Delivery Date calculated on the basis of a three hundred and sixty (360)-day year of twelve (12) thirty (30)-day months, compounded semiannually on March 1 and September 1, commencing September 1, 2004, and thereafter, payable only at stated maturity.

D. The Current Interest Bonds shall be issued in the principal amounts and bear interest at the rates set forth in the following schedule, and may be transferred and exchanged as set forth in this Bond Order. The Current Interest Bonds shall mature, in accordance with this Bond Order, on March 1 of each of the years and in the amounts set out in such schedule. Current Interest Bonds delivered on transfer of or in exchange for other Current Interest Bonds as set out in this Bond Order shall be numbered in order of their authentication by the Paying Agent/Registrar. All Current Interest Bonds other than the Initial Current Interest Bond shall be in the denomination of \$5,000 or integral multiples thereof and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered. The Current Interest Bonds maturing on or after March 1, 2013 are subject to optional redemption as further described in Article V hereof.

CURRENT INTEREST BONDS

<u>Maturity</u>	<u>Serial Bonds</u> <u>Principal Amount</u>	<u>Interest Rate</u>
March 1, 2007	\$80,000	3.00%
March 1, 2008	\$145,000	3.00%
March 1, 2009	\$140,000	3.00%
March 1, 2010	\$165,000	3.00%
March 1, 2011	\$160,000	3.00%
March 1, 2012	\$155,000	3.20%
March 1, 2013	\$180,000	3.40%
March 1, 2014	\$175,000	3.55%

<u>Maturity</u>	<u>Term Bonds</u> <u>Principal Amount</u>	<u>Interest Rate</u>
March 1, 2016	\$400,000	3.90%
March 1, 2018	\$465,000	4.00%

2004

E. The Capital Appreciation Bonds shall be issued in the principal amounts and Maturity Amounts, maturing on the dates, and accruing interest at the per annum rates set forth in the following schedule, and may be transferred and exchanged as set forth in this Bond Order. Capital Appreciation Bonds delivered on transfer of or in exchange for other Capital Appreciation Bonds as set out in this Bond Order shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in a Maturity Amount of \$5,000 or integral multiples thereof, except that one Capital Appreciation Bond of each maturity may be issued in a different Maturity Amount if the total Maturity Amount of the Capital Appreciation Bonds of such maturity is not evenly divisible by \$5,000, and shall mature on the same date and accrue interest at the same rate as the Capital Appreciation Bond(s) in lieu of which they are delivered. The Capital Appreciation Bonds are not subject to optional redemption prior to maturity.

<u>CAPITAL APPRECIATION BONDS</u>			
<u>Maturity</u>	<u>Original Principal Amount</u>	<u>Initial Offering Yield</u>	<u>Payment at Maturity</u>
March 1, 2005	\$93,770.60	1.40%	\$140,000
March 1, 2006	\$54,113.75	1.85%	\$125,000
March 1, 2007	\$11,164.00	2.10%	\$40,000

F. Principal of the Current Interest Bonds at maturity, and the Maturity Amount of the Capital Appreciation Bonds, including accrued interest at maturity, shall be payable in lawful money of the United States of America, without deduction for paying agent services, at the payment office of the Paying Agent/Registrar, currently Wells Fargo Bank, N.A., a national banking association with its corporate trust office in Houston, Texas. Interest on the Current Interest Bonds shall be payable as provided in this Bond Order.

G. The Current Interest Bonds (other than the Initial Current Interest Bond in the form of Exhibit A-1-A), shall be substantially in the form set forth in Exhibit A-1 to this Bond

2004

1. to JPMorgan Chase Bank for payment of the Refunded Series 1993 Bonds (March 25, 2004) pursuant to the Agreement for Redemption of the Bonds;
2. to the Debt Service Fund, the accrued interest on the Current Interest Bonds;
3. to pay the costs of issuance of the Bonds; and
4. the balance, if any, to the Debt Service Fund, to be used to pay principal of and interest on the Bonds.

ARTICLE XVIII

REDEMPTION OF REFUNDED BONDS

A. The District hereby directs that there be called in whole on March 26, 2004, for redemption at par in addition to unpaid accrued interest, the outstanding Series 1993 Bonds with original maturities from March 1, 2005 through March 1, 2018, inclusive, as follows:

<u>Date of Maturity</u>	<u>Principal Amount</u>
March 1, 2005	\$100,000
March 1, 2006	\$100,000
March 1, 2007	\$100,000
March 1, 2008	\$125,000
March 1, 2009	\$125,000
March 1, 2010	\$150,000
March 1, 2011	\$150,000
March 1, 2012	\$150,000
March 1, 2013	\$175,000
March 1, 2014	\$175,000
March 1, 2015	\$200,000
March 1, 2016	\$200,000
March 1, 2017	\$225,000
March 1, 2018	\$250,000

B. The President or Vice President and Secretary of the Board of the District are authorized and directed to give written notice of said payment and redemption to the paying agent for the Refunded Bonds, in accordance with the bond order issuing the Refunded Bonds.

2012

ARTICLE XVII

APPLICATION OF PROCEEDS

The District covenants and agrees with the Registered Holders of the Bonds that the net proceeds from the sale of the Bonds will be disbursed as follows:

- (a) to The Bank of New York Mellon Trust Company, N.A., in such amount so as to provide funds sufficient for the timely payment of principal of and interest on the Series 1998 Refunded Bonds to redemption, as more fully set forth in the Report;
- (b) to Wells Fargo Bank, N.A., Dallas, Texas, in such amount so as to provide funds sufficient for the timely payment of principal of and interest on the 2004 Refunded Bonds to redemption, as more fully set forth in the Report;
- (c) to the Debt Service Fund, the accrued interest on the Bonds;
- (d) to the General Fund, an amount sufficient to pay fees and expenses incurred in the issuance of the Bonds; and
- (e) the balance, if any, to the Debt Service Fund, to be used to pay principal of and interest on the Bonds.

ARTICLE XVIII

REDEMPTION OF REFUNDED BONDS

A. The District hereby directs that there be called in whole on April 26, 2012, for redemption at par in addition to unpaid accrued interest, the outstanding Series 1998 Bonds in the total outstanding principal amount of \$2,225,000, with original maturities from March 1, 2015 through March 1, 2023, inclusive, and that there be called in whole on April 26, 2012 the outstanding term bonds of the Series 2004 Bonds in the total outstanding principal amount of \$865,000, with original maturities of March 1, 2016 and March 1, 2018, as follows:

Series 1998 Bonds

<u>Maturity</u>	<u>Principal Amount</u>
March 1, 2015	\$100,000
March 1, 2016	\$100,000
March 1, 2017	\$100,000
March 1, 2018	\$100,000
March 1, 2019	\$350,000
March 1, 2020	\$350,000
March 1, 2021	\$350,000
March 1, 2022	\$375,000
March 1, 2023	\$400,000

2/20/2012

Series 2004 Bonds

<u>Maturity</u>	<u>Principal Amount</u>
March 1, 2015	\$200,000
March 1, 2016 (maturity)	\$200,000
March 1, 2017	\$220,000
March 1, 2018 (maturity)	\$245,000

B. The remaining outstanding Bonds not specifically redeemed by this Bond Order shall continue to be outstanding and subject to all terms, covenants and conditions governing the remaining outstanding bonds pursuant to the bond orders issuing the remaining outstanding bonds.

C. The President or Vice President and Secretary or Assistant Secretary of the Board of the District are authorized and directed to give written notice of said payment and redemption to the paying agents for the Refunded Bonds in accordance with the Series 1998 Bond Order and the Series 2004 Bond Order.

ARTICLE XIX

APPROVAL AND REGISTRATION OF INITIAL BOND

A. The President of the Board shall submit the transcript of certified proceedings of the Bonds and the Initial Bond to the Attorney General for approval. After obtaining such approval, the President shall have the Initial Bond registered by the Comptroller. After the Initial Bond has been registered by the Comptroller, the President shall direct delivery of same to the proper party or parties at the appropriate time and place.

B. As and when the Initial Bond is delivered and paid for by the Purchaser, the proceeds therefrom are to be used in accordance with this Bond Order. All moneys to be deposited into the Debt Service Fund of the District shall be deposited in the depository bank of the District.

ARTICLE XX

BOND INSURANCE

FINANCIAL GUARANTY INSURANCE POLICY

The following Statement of Insurance shall be printed on the Initial Bond and Definitive Bonds:

2016

covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

D. Continuing Compliance. The District understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify, or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

E. Written Procedures. Unless superseded by another action of the District, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the District hereby adopts and establishes the instructions attached hereto and incorporated by reference herein as Exhibit "B" as the District's written procedures.

ARTICLE XVII
APPLICATION OF PROCEEDS

The District covenants and agrees with the Registered Holders of the Bonds that the net proceeds from the sale of the Bonds will be disbursed as follows:

- (a) to Amegy Bank, a division of ZB, National Association, for deposit into the Escrow Fund created pursuant to the Escrow Deposit Agreement, which deposit shall be in such amount so as to provide funds sufficient for the timely payment of principal of and interest on the Refunded Bonds to redemption, as more fully set forth in the Report; and
- (b) to the Debt Service Fund, the accrued interest on the Bonds.

ARTICLE XVIII
REDEMPTION OF REFUNDED BONDS

A. The District hereby directs that there be called in whole on March 1, 2016, for redemption at par in addition to unpaid accrued interest, the outstanding Series 2009 Bonds in the total outstanding principal amount of \$5,690,000, being the term bonds maturing as follows:

2016

Series 2009 Bonds
Term Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>
March 1, 2017	\$155,000
March 1, 2018 (maturity)	\$160,000
March 1, 2019	\$170,000
March 1, 2020 (maturity)	\$180,000
March 1, 2021	\$190,000
March 1, 2022 (maturity)	\$200,000
March 1, 2023	\$210,000
March 1, 2024 (maturity)	\$220,000
March 1, 2025	\$230,000
March 1, 2026	\$245,000
March 1, 2027 (maturity)	\$260,000
March 1, 2028	\$270,000
March 1, 2029	\$285,000
March 1, 2030 (maturity)	\$300,000
March 1, 2031	\$320,000
March 1, 2032	\$335,000
March 1, 2033 (maturity)	\$355,000
March 1, 2034	\$370,000
March 1, 2035 (maturity)	\$390,000
March 1, 2036	\$410,000
March 1, 2037 (maturity)	\$435,000

B. The remaining outstanding bonds not specifically redeemed by this Bond Order shall continue to be outstanding and subject to all terms, covenants and conditions governing the remaining outstanding bonds pursuant to the bond orders issuing the remaining outstanding bonds.

C. The President or Vice President and Secretary or Assistant Secretary of the Board of the District are authorized and directed to give written notice of said payment and redemption to the paying agent for the Refunded Bonds in accordance with the Series 2009 Bond Order.

ARTICLE XIX
APPROVAL AND REGISTRATION OF INITIAL BOND

A. The President or Vice President of the Board shall submit the transcript of certified proceedings of the Bonds and the Initial Bond to the Attorney General for approval. After obtaining such approval, the President or Vice President shall have the Initial Bond registered by the Comptroller. After the Initial Bond has been registered by the Comptroller, the President or Vice President shall direct delivery of same to the proper party or parties at the appropriate time and place.

2021

APPROVAL CERTIFICATE

I, the undersigned, President of Southern Montgomery County Municipal Utility District (the "Issuer") and the "Authorized Officer" as defined in Article III, Section B of the Bond Order of the Issuer, adopted on November 18, 2020 (the "Bond Order") authorizing the issuance of the Issuer's Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"), do hereby approve the following terms of the Bonds:

1. the principal amount of the Bonds of \$5,410,000;
2. the purchase price for the Bonds of \$5,572,597.30 (representing the principal amount of the Bonds, plus a premium of \$192,893.30, and less an Underwriter's discount of \$30,296.00), plus accrued interest to the date of delivery to the initial purchaser, and the Board has determined that the terms of sale are the most advantageous reasonably available;
3. annual installments of principal, maturity date and interest rates on the Bonds, as follows:

Series 2021 Bonds
(Maturing March 1)

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2022	\$600,000	3.00%
2023	\$625,000	3.00%
2024	\$255,000	3.00%
2025	\$260,000	3.00%
2026	\$275,000	3.00%
2027	\$280,000	2.00%
2028	\$285,000	2.00%
2029	\$290,000	2.00%
2030	\$295,000	2.00%
2031	\$305,000	2.00%
2032	\$305,000	2.00%
2033	\$315,000	2.00%
2034	\$320,000	2.00%
2035	\$325,000	2.00%
2036	\$335,000	2.00%
2037	\$340,000	2.00%

2021

4. a net present value savings of 13.137% (or \$708,121), which is greater than 7.00% calculated on a present value basis of the amount which would otherwise be payable on the bonds being refunded;
5. interest on the Bonds is accrued from the dated date and is payable on September 1, 2021 and continues thereafter on each March 1 and September 1;
6. the Bonds maturing on or after March 1, 2026 are subject to redemption in whole or in part prior to maturity on March 1, 2025 or any date thereafter;
7. a dated date of the Bonds of January 1, 2021;
8. bonds are issued to provide funds to refund (i) \$730,000 of the \$3,095,000 Unlimited Tax Refunding Bonds, Series 2012, being bonds maturing March 1, 2022 and March 1, 2023 (the "2012 Refunded Bonds") and (ii) \$4,660,000 of the \$5,655,000 Unlimited Tax Refunding Bonds, Series 2016 being bonds maturing from March 1, 2022 through March 1, 2037, both inclusive (the "2016 Refunded Bonds");
9. redemption of the (i) 2012 Refunded Bonds on the date of closing of the Series 2021 Refunding Bonds and (ii) 2016 Refunded Bonds on March 1, 2021;
10. the rate of interest, to be borne by each such maturity, not to exceed 5% per annum;
11. a contribution from the District's Debt Service Fund of \$74,000.00; and
12. the Authorized Representative executing the Approval Certificate as authorized in the November 18, 2020 Bond Order is Bruce Harrison, President and Director of the Board of Directors of the District.

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Automated Certificate of eService

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Yadir Rodriguez on behalf of Craig Stanfield

Bar No. [REDACTED]

Envelope ID: 81651101

Filing Code Description: Petition

Filing Description: Grace Community Church's Original Petition

Status as of 11/15/2023 10:24 AM CST

Associated Case Party: Grace Community Church-The Woodlands, Inc.

Name	BarNumber	Email	TimestampSubmitted	Status
Craig A.Stanfield		[REDACTED]	11/15/2023 9:25:24 AM	SENT
Chad Stewart		[REDACTED]	11/15/2023 9:25:24 AM	SENT
David Hacker	[REDACTED]	[REDACTED]	11/15/2023 9:25:24 AM	SENT
Jeremiah Dys	[REDACTED]	[REDACTED]	11/15/2023 9:25:24 AM	SENT
Ryan Gardner	[REDACTED]	[REDACTED]	11/15/2023 9:25:24 AM	SENT

Case Contacts

Name	BarNumber	Email	TimestampSubmitted	Status
Yadir Rodriguez		[REDACTED]	11/15/2023 9:25:24 AM	SENT