MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146C

(Montgomery County, Texas)

PRELIMINARY OFFICIAL STATEMENT

DATED: JULY 31, 2026

$14,850,000

CONTRACT REVENUE BONDS

SERIES 2026

BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME

WEDNESDAY, AUGUST 12, 2026

BONDS TO BE AWARDED: 11:00 A.M., CENTRAL TIME

WEDNESDAY, AUGUST 12, 2026

CEDAR CREEK
MUNICIPAL ADVISORS

Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146C, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION ON THE OPINION OF BOND COUNSEL.

*The Bonds will **not** be designated "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE – Book Entry Only **NOT RATED**

MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146C

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

$14,850,000
Contract Revenue Bonds
Series 2026

Dated: September 1, 2026
Interest Accrues From: Date of Delivery Due: November 1, as shown on inside cover

The $14,850,000 Contract Revenue Bonds, Series 2026 (the "Bonds") are special obligations of Montgomery-Grimes Counties Municipal Utility District No. 146C (the "Regional District") payable solely from and to the extent of payments contractually required of Montgomery-Grimes Counties Municipal Utility District No. 146C and Montgomery-Grimes Counties Municipal Utility District No. 146D (collectively, the "Participants") within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant or from other revenues lawfully available to such Participant (the "Contract Payments"). Payment of the Contract Payments by the Participants and use of such proceeds by the Regional District to pay debt service on the Bonds is governed by the Regional District Contract (herein defined) as described more fully under "REGIONAL DISTRICT CONTRACT." The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Montgomery County, Texas; any of the Participants (except the Regional District); or any entity other than the Regional District.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated September 1, 2026 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about September 15, 2026 (the "Date of Delivery"), with interest payable May 1, 2027, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "THE BONDS—Book-Entry-Only System") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

The Bonds, when issued, will constitute valid and legally binding obligations of the Regional District and will be payable from the Contract Payments, as further described herein. See "THE BONDS – Source of Payment."

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

The Bonds are offered among other things, when, as and if issued by the Regional District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 15, 2026.

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

$14,850,000 Contract Revenue Bonds, Series 2026

Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 335,000	%	%		2040	$ 600,000 (c)	%	%	
2029	350,000				2041	630,000 (c)			
2030	370,000				2042	660,000 (c)			
2031	385,000				2043	695,000 (c)			
2032	405,000 (c)				2044	730,000 (c)			
2033	425,000 (c)				2045	765,000 (c)			
2034	445,000 (c)				2046	805,000 (c)			
2035	470,000 (c)				2047	845,000 (c)			
2036	490,000 (c)				2048	885,000 (c)			
2037	515,000 (c)				2049	930,000 (c)			
2038	545,000 (c)				2050	975,000 (c)			
2039	570,000 (c)				2051	1,025,000 (c)			

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

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

(c) Bonds maturing on November 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the Regional District, in whole or from time to time in part on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the Regional District with respect to the Bonds, as such term is defined in Rule 15c2-12.

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

TABLE OF CONTENTS

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the Regional District has accepted the bid resulting in the lowest net effective interest rate to the Regional District, which was tendered by ________________________________ (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of ___________% of the par value thereof, which resulted in a net effective interest rate of _________%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

Delivery of Official Statements

The Regional District shall furnish to the Initial Purchaser (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the Regional District and the Initial Purchaser. The Regional District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the Regional District for dissemination to potential underwriters of the Bonds, as well as such additional copies of this Official Statement or any such supplements or amendments as the Initial Purchaser may reasonably request prior to the 90th day after the end of the underwriting period described in Rule 15C2-12. The Regional District shall pay the expense of preparing the number of copies of this Official Statement agreed upon between the Regional District and the Initial Purchaser and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchaser shall pay for all other copies of this Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE

The Regional District has made separate applications for a commitment to provide municipal bond insurance for the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurers, will be at the option and expense of the Initial Purchaser.

MUNICIPAL BOND RATING

The Regional District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the Regional District would have been successful in receiving an investment grade rating on the Bonds.

[Remainder of this page intentionally left blank.]

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Montgomery-Grimes Counties Municipal Utility District No. 146C (the "Regional District" or, in its capacity as a Participant (herein defined), "MUD 146C"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE REGIONAL DISTRICT."
The Bonds	The $14,850,000 Contract Revenue Bonds, Series 2026 (the "Bonds") are dated September 1, 2026, and mature on November 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the initial date of delivery, which is expected to be on or about September 15, 2026 (the "Date of Delivery"), with interest payable May 1, 2027, and on each November 1 and May 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds	The Bonds that mature on and after November 1, 2032, are subject to redemption, in whole or from time to time in part, on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (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."
Source of Payment	Principal of and interest on the Bonds are payable from and secured by payments required of the Participants (herein defined) within the Service Area (herein defined) from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant on all taxable property within the boundaries of each respective Participant or from other revenues lawfully available to such Participant (the "Contract Payments"). The Regional District will establish a debt service fund to pay the principal of and interest on the Contract Revenue Bonds (herein defined), such as the Bonds (the "Contract Revenue Debt Service Fund"). Contract Payments from the Participants and use of such proceeds by the Regional District to pay debt service on the Bonds is governed by the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the "Regional District Contract") which has been entered into by the Regional District and the Participants. By execution of the Regional District Contract, each Participant has agreed to pay a pro rata share of the debt service on the Contract Revenue Bonds (herein defined), including the Bonds, which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount,

levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Regional District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish its respective coverage in the Regional District debt service fund.

The Bonds are special obligations of the Regional District and are not obligations of the State of Texas; Montgomery County, Texas; any of the Participants (except the Regional District in its capacity as the Regional District); or any entity other than the Regional District. See "THE BONDS – Source of Payment," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

Authority for Issuance... The Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the bond order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the Regional District (the "Board") on the date of sale of the Bonds; an order of the Texas Commission on Environmental Quality (the "TCEQ"); an election held within the Regional District and passed by a majority of the participating voters; House Bill No. 4153, as passed by the 84th Legislature, Regular Session, of the State of Texas, effective September 1, 2015, codified as Chapter 7906, Texas Special District Local Laws Code (the "Act"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas. See "THE BONDS – Authority for Issuance," "THE BONDS – Issuance of Additional Debt," "REGIONAL DISTRICT CONTRACT," and "RISK FACTORS – Future Debt."

Payment Record.. The Bonds represent the Regional District's first issuance of bonded indebtedness.

Short-Term Debt... The District issued its $7,870,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated November 7, 2025. The BAN matures on November 6, 2026, and accrues interest at a rate of 4.85% per annum, calculated on the basis of actual days elapsed. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Bond Proceeds."

Use of Proceeds of Bonds... Proceeds from the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which will be used to reimburse the Developer for a portion of the improvements and related costs as shown under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will also be used to reimburse the Developer for the improvements and related costs that were not reimbursed by the BAN and to pay eighteen (18) months of capitalized interest, developer interest, BAN interest, District operating expenses and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."

Not Qualified Tax-Exempt Obligations .... The District has **not** designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."

Municipal Bond Insurance .... The Regional District has made applications for a commitment to provide municipal bond insurance for the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, will be at the option and expense of the Initial Purchaser. See "MUNICIPAL BOND INSURANCE" above.

Municipal Bond Rating .... The Regional District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the Regional District would have been successful in receiving an investment grade rating on the Bonds. See "MUNICIPAL BOND RATING."

Bond Counsel .... Schwartz, Page & Harding, L.L.P., Houston, Texas.

Disclosure Counsel .... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Financial Advisor .... Cedar Creek Municipal Advisors, LLC, Houston, Texas.

Regional District Engineer .... LJA Engineering, Inc., Houston, Texas.

Paying Agent/Registrar .... BOKF, NA, Dallas, Texas.

THE REGIONAL DISTRICT

Description .... The Regional District is a political subdivision of the State of Texas that was created by the Act. The rights, powers, privileges, authority, and functions of the Regional District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and the Act. See "THE REGIONAL DISTRICT."

Kresston and the Service Area .... The Regional District is part of the development of Kresston, a master-planned community that consists of approximately 1,463 total acres comprised of two (2) municipal utility districts: MUD 146C as its role as a Participant (herein defined) and Montgomery-Grimes Counties Municipal Utility District No. 146D ("MUD 146D").

MUD 146C, in its capacity as the Regional District for the Kresston development, is the provider of regional water, wastewater, drainage facilities and regional arterial, collector, and thoroughfare roads to the ultimate 1,463-acre service area ("Service Area") made up of lands within MUD 146C (8 acres) and MUD 146D (533 acres). The remaining acreage of the Service Area will later be annexed into a Participant's boundaries.

A portion of the Service Area is located in Montgomery County, Texas, and a portion of the Service Area is located in Grimes County, Texas, approximately 45 miles northwest from the central business district of the City of Houston, Texas. All of the land within MUD 146C and MUD 146D currently lies within Montgomery County, Texas. No portion of the Service Area exists in the extraterritorial jurisdiction (the "ETJ") or corporate limits of any city. The Service Area lies within the boundaries of Magnolia Independent School District.

The Participants .... MUD 146C (which is also the Regional District) and MUD 146D (collectively, the "Participants") have entered into the Regional District Contract with the Regional District. By execution of the Regional District Contract, each Participant is obligated to pay its pro rata share of debt service on bonds issued by the Regional District to finance Regional District Facilities, including the Bonds. See "THE BONDS – Issuance of Additional Debt" and "REGIONAL DISTRICT CONTRACT."

Each Participant operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road project as provided under Section 52, Article III of the Texas Constitution.

To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities. See "THE PARTICIPANTS."

Development within the Service Area .... Currently, development activity is ongoing within the boundaries of MUD 146D. Within the Service Area, approximately 533 acres (621 lots) have been developed as the single-family residential subdivisions of Kresston, Sections 1-9, 15, 20 & 20A. As of May 1, 2026, approximately 209 homes were complete (approximately 135 occupied and approximately 74 unoccupied), approximately 71 homes were under construction, and approximately 341 lots were developed and vacant. The remainder of land within the Service Area is comprised of future single-family residential and undevelopable acreage including public rights-of-way, drainage, detention, open space, recreation and utility sites.

Developer.. The developer of land and principal landowner within the Service Area is 249 SH Holdings LLC, a Delaware limited liability company (the "Developer"). The Developer is a single purpose entity formed and capitalized for the sole purpose of developing the Service Area. The Developer currently owns the remaining developable acres within the Service Area and has developed the single family residential subdivisions of Kresston, Sections 1-9,15, 20, and 20A within MUD 146D. Johnson SH249 Investors, LLC, a Texas limited liability company, is the managing member of the Developer and is affiliated with The Johnson Development Corp. ("JDC").

JDC has over 40 years of experience in real estate development and its real estate activities have included over 100 projects resulting in the development of nearly 40,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master-planned golf course communities and multi-family housing. In the Houston metropolitan area, JDC's developments include Atascocita, Steeplechase, Sienna, Riverstone, Silverlake, Fall Creek, Woodforest, Imperial Sugar Land, Edgewater, Tuscan Lakes, Cross Creek Ranch, Harmony, Harvest Green, Jubilee, Grand Central Park, Jordan Ranch, and Veranda. See "THE DEVELOPER."."

Homebuilders within the Service Area .... The homebuilders active within the Service Area are Chesmar Homes, David Weekley Homes, Gracepoint Homes, Highland Homes, Huntington Homes, Perry Homes, Toll Brothers, Village Builders, and Westin Homes. Prices of new homes being constructed within the Service Area range from approximately $299,990 to over $700,000 and range in size from approximately 1,400 to 5,000 square feet. See "THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area."

Tax Increment Reinvestment Zone......................... The Regional District lies within Tax Increment Reinvestment Zone Number One, Montgomery County, Texas (the "TIRZ"), and may receive a portion of the tax increment revenues generated within the TIRZ (the "TIRZ Revenues"). Such TIRZ Revenues, if and when received, may be used by the Regional District to pay or reimburse the Developer for costs of certain public road improvements and related infrastructure, to assist in the payment of debt service on the Regional District's Contract Revenue Road Bonds, or, if allowed under state law, may be pledged as security for the Regional District's Contract Revenue Road Bonds. The Reinvestment Zone Financing Plan for the Zone (the "Financing Plan") provides that the Regional District may issue approximately $39,770,000 of bonds secured by the TIRZ Revenues. The County has agreed to participate in the TIRZ and to deposit in the Tax Increment Fund of the Regional District 75% of a certain portion of the tax revenues the County collects within the boundaries of the TIRZ ("Tax Increments"), which are attributable to the increase in taxable value of real property within the TIRZ, including the property within the Service Area, over a base value as of January 1, 2024. The TIRZ terminates on December 31, 2049.

There is, however, no assurance that such payments will be received in any particular year, or that such revenues will be used to pay debt service on the Contract Revenue Road Bonds.

The TIRZ Revenues are not pledged to the repayment of the Bonds and the County has no legal or other obligation to continue the payments beyond the term of the TIRZ or the agreements governing it. The Bonds are secured solely by and payable from the levy and collection of an ad valorem tax levied on all taxable property within the Participants as described under "THE BONDS – Source of Payment."

RISK FACTORS

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

[Remainder of Page is Intentionally Left Blank]

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

Contract Revenue Bonds of the Regional District

2025 Gross Certified Assessed Valuation of the Participants	$	33,702,224	(a)
2026 Gross Preliminary Taxable Assessed Valuation of the Participants	$	102,047,504	(b)
Estimated Gross Assessed Valuation of the Participants as of May 1, 2026	$	135,027,302	(c)
Regional Direct Debt:			
The Bonds	$	14,850,000	
Total Direct Debt	$	14,850,000	
Estimated Overlapping Debt	$	973,240	(d)
Total Direct and Estimated Overlapping Debt	$	15,823,240	
Direct Debt Ratios:			
As a percentage of the 2025 Gross Certified Assessed Valuation of the Participants		44.06	%
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants		14.55	%
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026		11.00	%
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2025 Gross Certified Assessed Valuation of the Participants		46.95	%
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants		15.51	%
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026		11.72	%

Regional District Funds

Contract Revenue Debt Service Fund Balance (as of July 31, 2026)	$	1,280,813	(e)(f)
General Operating Fund Balance (as of July 31, 2026)	$	28,807	(g)

(a) Represents the gross assessed valuation as of January 1, 2025, of all taxable property of all Participants in the Service Area, as provided by the Montgomery Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the gross preliminary taxable assessed valuation as of January 1, 2026, of all taxable property of all Participants in the Service Area, as provided by the Montgomery Central Appraisal District. The preliminary values of the Participants are subject to protest by the owners of taxable property in the respective Participant. No taxes will be levied on the preliminary values. See "TAX DATA" and "TAXING PROCEDURES."

(c) This amount includes an estimate of the gross assessed value of all taxable property located within the Participants as provided by the Montgomery Central Appraisal District as of May 1, 2026. This amount represents an estimated $2,229 for MUD 146C and an estimated $135,025,073 for MUD 146D. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

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

(e) Includes eighteen (18) months of capitalized interest to be deposited into the Contract Revenue Debt Service Fund upon closing and delivery of the Bonds. The amount above is estimated at 5.75%. Neither Texas law nor the Bond Order requires that the Regional District maintain any particular sum in the Contract Revenue Debt Service Fund. Money deposited into the Contract Revenue Debt Service Fund can only be used to pay debt service on the Contract Revenue Bonds, such as the Bonds.

(f) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified in the Regional District Contract. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

(g) See "RISK FACTORS – Operating Funds."

Debt Service Requirements on the Bonds

Estimated Average Annual Debt Service Requirement (2028-2051)	$	1,076,281	(a)
Estimated Maximum Annual Debt Service Requirement (2030)	$	1,078,250	(a)

Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement (2028-2051) at 95% Tax Collections:

Based on the 2025 Gross Certified Assessed Valuation of the Participants	$3.37
Based on the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	$1.12
Based on the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026	$0.84

Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement (2030) at 95% Tax Collections:

Based on the 2025 Gross Certified Assessed Valuation of the Participants	$3.37
Based on the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	$1.12
Based on the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026	$0.85

(a) Requirement of debt service on the Bonds based on an estimated interest rate of 5.00%. See "Debt Service Requirement Schedule" below.

Assessed Valuations of the Participants

Participant	Estimated Gross Assessed Valuation as of May 1, 2026 (c)	Percent of Total	2026 Gross Preliminary Taxable Assessed Valuation (b)	Percent of Total	2025 Gross Taxable Assessesd Valuation (a)	Percent of Total
MUD 146C	$ 2,229	0.002%	$ 1,786	0.002%	$ 2,061	0.006%
MUD 146D	135,025,073	99.998%	102,045,718	99.998%	33,700,163	99.994%
Total	$ 135,027,302	100.000%	$ 102,047,504	100.000%	$ 33,702,224	100.000%

(a) Represents the gross assessed valuation as of January 1, 2025, of all taxable property of all Participants in the Service Area, as provided by the Montgomery Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the gross preliminary taxable assessed valuation as of January 1, 2026, of all taxable property of all Participants in the Service Area, as provided by the Montgomery Central Appraisal District. The preliminary values of the Participants are subject to protest by the owners of taxable property in the respective Participant. No taxes will be levied on the preliminary values. See "TAX DATA" and "TAXING PROCEDURES."

(c) This amount includes an estimate of the gross assessed value of all taxable property located within all Participants as provided by the Montgomery Central Appraisal District as of May 1, 2026. This amount represents an estimated $2,229 for MUD 146C and an estimated $135,025,073 for MUD 146D. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

Status of Development as of May 1, 2026

Participant	Total Acreage	Number of Lots	Completed Homes	Occupied Complete	Unoccupied	Homes Under Construction	Vacant
MUD 146C	8	0	0	0	0	0	0
MUD 146D	533	621	209	135	74	71	341
Total	541	621	209	135	74	71	341

Selected Tax Data

Participant	2025 Debt Service Tax Rate	2025 Maintenance Tax Rate	2025 Contract Tax Rate (a)	2025 Total Tax Rate
MUD 146C	$0.00	$0.00	$0.00	$0.00
MUD 146D	$0.00	1.50	$0.00	$1.50

(a) The Regional District Contract provides that a Participant may make Contract Payments from the proceeds of the Contract Tax or from any other lawful sources, which include proceeds from the Participant's levy of a maintenance tax rate and operating funds advanced by the Developer. See "RISK FACTORS – Dependence on Major Taxpayers and the Developer."

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements of the principal and estimated interest requirements of the Bonds, assuming the Bonds are issued at an interest rate of 5.00%. Totals may not sum due to rounding.

Year Ending 12/31	Principal	Interest	Total Debt Service
2027	$ -	$ 837,375	$ 837,375
2028	335,000	742,500	1,077,500
2029	350,000	725,750	1,075,750
2030	370,000	708,250	1,078,250
2031	385,000	689,750	1,074,750
2032	405,000	670,500	1,075,500
2033	425,000	650,250	1,075,250
2034	445,000	629,000	1,074,000
2035	470,000	606,750	1,076,750
2036	490,000	583,250	1,073,250
2037	515,000	558,750	1,073,750
2038	545,000	533,000	1,078,000
2039	570,000	505,750	1,075,750
2040	600,000	477,250	1,077,250
2041	630,000	447,250	1,077,250
2042	660,000	415,750	1,075,750
2043	695,000	382,750	1,077,750
2044	730,000	348,000	1,078,000
2045	765,000	311,500	1,076,500
2046	805,000	273,250	1,078,250
2047	845,000	233,000	1,078,000
2048	885,000	190,750	1,075,750
2049	930,000	146,500	1,076,500
2050	975,000	100,000	1,075,000
2051	1,025,000	51,250	1,076,250
	$ 14,850,000	$ 11,818,125	$ 26,668,125

Estimated Average Annual Debt Service Requirement (2028-2051) $1,076,281

Estimated Maximum Annual Debt Service Requirement (2030) $1,078,250

MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146C

$14,850,000
Contract Revenue Bonds
Series 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery-Grimes Counties Municipal Utility District No. 146C (the "Regional District" or, in its capacity as a Participant (herein defined), "MUD 146C") of the $14,850,000 Contract Revenue Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the Regional District pursuant to the Regional District Contract (herein defined) approved by the voters of each Participant; the terms and conditions of the bond order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the Regional District (the "Board") on the date of sale of the Bonds; an order of the Texas Commission on Environmental Quality (the "TCEQ"); an election held within the Regional District and passed by a majority of the participating voters; House Bill No. 4153, as passed by the 84th Legislature, Regular Session, of the State of Texas, effective September 1, 2015, codified as Chapter 7906, Texas Special District Local Laws Code (the "Act"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions in Texas.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order, and certain other information about the "Participants" (MUD 146C and Montgomery-Grimes Counties Municipal Utility District No. 146D ("MUD 146D")), certain other information about the Regional District, in both its capacity as the Regional District and as a Participant, the approximate 1,463 acre service area (the "Service Area") served by the Regional District Facilities (herein defined), and the Contract for the Construction, Financing, Operation and Maintenance of Regional Facilities entered into by the Participants and the Regional District (the "Regional District Contract").

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Order, and certain information about the Regional District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 1300 Post Oak Blvd Suite 2400, Houston, Texas 77056, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

RISK FACTORS

General

The Regional District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Regional District System Facilities"). The contract revenue bonds issued for the purpose of constructing or acquiring the Regional District System Facilities are referred to herein as the "Contract Revenue Bonds."

The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Montgomery County, Texas; any of the Participants (except the Regional District in its capacity as the Regional District); or any entity other than the Regional District. The Contract Revenue Bonds, including the Bonds, are payable solely from and to the extent of certain contract payments received by the Regional District from the Participants pursuant to the Regional District Contract, with each Participant's annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Order based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each such Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the "Contract Payments").

Each Participant is contractually obligated to make payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. The obligations of the Participants to make Contract Payments are several, not joint, obligations prorated among the Participants based upon the proportion of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all Participants, as described herein. No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant's payment is delinquent as the Regional District may include a reserve amount in the Contract Payment due from each Participant. The security for payment of the principal of and interest on the Bonds by the Regional District, therefor, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. The collection by each Participant of delinquent taxes owed to it may be a costly and lengthy process. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy" and "THE BONDS – Source of Payment."

Operating Funds

Each Participant is obligated to pay monthly charges to the Regional District for its share of the Regional District's operation and maintenance expenses in connection with the Regional District's provision of service from the Master District Facilities. See "Operational Expenses" below. The Regional District's general fund balance as of July 31, 2026, was $28,807. The revenue produced from the Monthly Charges (defined herein) in subsequent years may not be sufficient to offset the operating expenses of the Master District. Continued maintenance of positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of maintenance tax revenue from the Participants.

Economic Factors and Interest Rates

The rate of development of the Service Area is directly related to the vitality of the residential and commercial industry in the Houston area. New residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of residential construction activity would restrict the growth of property values within the Service Area. The Regional District and Participants cannot predict the pace or magnitude of any future development within the Service Area. See "THE REGIONAL DISTRICT – Status of Development Within the Service Area."

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for developmental costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, the Regional District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 45 miles northwest from the central downtown business district of Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans within the Service Area and restrain the growth of the Service Area's property tax base.

Competition

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

The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values within the Service Area. The Regional District can give no assurance that building and marketing programs within the Service Area by the Developer will be implemented or, if implemented, will be successful.

Dependence on Major Taxpayers and the Developer

The top ten principal taxpayers within the Service Area represent $33,701,324, or approximately 99.997%, of the 2025 Gross Certified Assessed Valuation of the property within the boundaries of the Participants, which is $33,702,224, and represents ownership in the Participants' boundaries as of January 1, 2025. See "TAX DATA – Principal Taxpayers." If the Developer, any other principal taxpayer, or any combination of taxpayers, were to default in the payment of taxes in an amount which exceeds the amount in the Contract Revenue Debt Service Fund, the ability of the Regional District to make timely payment of debt service on the Bonds would be dependent on the ability of Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Regional District is not required by law or the Bond Order to maintain any specified amount of surplus in its Contract Revenue Debt Service Fund. See "RISK FACTORS – Tax Collection Limitations," "TAXING PROCEDURES – Levy and Collection of Taxes," and "APPENDIX A – Certain Financial Information Regarding the Participants."

The Developer has informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the Participants to homebuilders. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Regional District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The Regional District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See "THE DEVELOPER."

Undeveloped Acreage and Vacant Lots

As of May 1, 2026, there were approximately 341 vacant developed lots within the Service Area. The Regional District makes no representation as to when or if development of the undeveloped but developable acreage will occur or that the lot sales and building program will be successful. See "THE REGIONAL DISTRICT – Status of Development Within the Service Area."

Increase in Costs of Materials, Supply and Trade Disruptions and Labor Shortages

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developer or homebuilders in the Service Area to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the Participant. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the Service Area. The Regional District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2025 Gross Certified Assessed Valuation of the Participants is $33,702,224, the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants is $102,047,504, and the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026, is $135,027,302. See "TAX DATA." After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds will be $1,078,250 (2030) and the estimated average annual debt service requirement on the Bonds will be $1,076,281 (2028-2051). Assuming no increase or decrease from the 2025 Gross Certified Assessed Valuation of the Participants, a Contract Tax rate of $3.37 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds, and a Contract Tax rate of $3.37 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Bonds. Assuming no increase or decrease from the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants, a Contract Tax rate of $1.12 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds and a Contract Tax rate of $1.12 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Bonds. Assuming no increase or decrease from the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026, a Contract Tax rate of $0.85 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds, and a Contract Tax rate of $0.84 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement on the Bonds. See "SELECTED FINANCIAL INFORMATION" and "TAX DATA – Tax Rate Calculations."

Overlapping Debt and Tax Rates

The Regional District and each Participant may each independently issue additional debt which may change the projected and actual tax rates in the future.

Landowners are or will be responsible for the payment of ad valorem taxes levied by each Participant for payment of Contract Payments. In addition, owners of property located within the Participants are responsible for the payment of ad valorem taxes levied by each Participant for the payment of debt service on unlimited tax bonds issued by each Participant and ad valorem taxes levied by each Participant for the purpose of paying the Participant's operation and maintenance costs. See "APPENDIX A – Certain Financial Information Regarding the Participants" for information related to each Participant's indebtedness and taxation requirements.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. See "RISK FACTORS – Debt Burden on Property Within the Service Area" and "TAX DATA – Estimated Overlapping Taxes."

Debt Burden on Property Within the Service Area

The total tax rate paid by property owners within the Service Area is a major factor in the demand for single-family homes within the Service Area. The Regional District Contract requires that the Participants make Contract Payments from the Contract Tax. In addition, other contract tax payments are required of the Participants by the Regional District Contract. See "REGIONAL DISTRICT CONTRACT." Furthermore, each Participant will be required to levy taxes on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, and road facilities within the Participant's boundaries. Each Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2025 tax year, MUD 146D has levied a total tax rate of $1.50.

The tax rate that may be required to service debt on any bonds issued by the Regional District or a Participant is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in Kresston will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the Participants are within the taxing jurisdiction of other taxing entities, including Montgomery County and Magnolia Independent School District. Each of these entities currently levies various taxes on property within the boundaries, as applicable, of the Participants in addition to the other taxes listed above.

Operational Expenses

Each Participant is obligated to pay monthly charges to the Regional District for its share of the Regional District's operation and maintenance expenses in connection with the Regional District's provision of service from the Regional District Facilities. The monthly charges to be paid by each Participant to the Regional District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections ("ESFCs") reserved to each Participant on the first day of the previous month by the unit cost per ESFC. See "THE REGIONAL DISTRICT FACILITIES."

No Reserve Fund

The Bonds will be issued pursuant to the Bond Order wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Order creates the Contract Revenue Debt Service Fund but does not create designated reserve funds. Each Participant's pro rata share of the Contract Payments is calculated by the Regional District. The Regional District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Regional District, up to 50% of the following year's annual debt service requirements to establish a replenishment amount in the debt service funds, which when paid by the Participants, will be deposited into the respective debt service funds. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of the Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Order would have to be brought by the Registered Owners themselves against the Regional District, and such an action would not necessarily operate to enforce rights against other Participants. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

The Regional District further covenants that if at any time the fund balance in the Contract Revenue Debt Service Fund falls below 10% of the following year's debt service requirement for the bonds, it will levy the maximum amount allowed under the Bond Order (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the fund exceeds 50% of the next year's debt service requirement.

Tax Collection Limitations

The Regional District's ability to make debt service payments may be adversely affected by each Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of such Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the Participant's boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential property and all other property after the purchaser's deed issued at the foreclosure is filed in the county records. While the Participant has a lien on taxable property within the Participant's boundaries for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Participant's boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid" See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – No Reserve Fund."

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners" and each a "Registered Owner") have a right to seek a writ of mandamus requiring the Regional District to levy adequate taxes each year to make such payments. Except for the mandamus, the Bond Order does not specifically provide for remedies to protect and enforce such interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Regional District, such a judgment could not be enforced by a direct levy and execution against the Regional District's property. Further, the Registered Owners themselves cannot foreclose on property within the Service Area or sell property within the Service Area in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Regional District. In this regard, should the Regional District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Regional District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge" See "THE BONDS – Registered Owners' Remedies."

Future Debt

Pursuant to the Regional District Contract and in connection with the development of the Service Area, the Regional District may issue Contract Revenue Bonds in an amount necessary to provide the Regional District Facilities. The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds. Any future Contract Revenue Bonds will be on a parity with the Bonds. The Regional District is expected to issue additional Contract Revenue Bonds. The Regional District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional Contract Revenue Bonds is subject to approval by the TCEQ pursuant to its rules and regarding issuance and feasibility of bonds. See "RISK FACTORS – Maximum Impact on Contract Tax Rate" and "THE BONDS – Issuance of Additional Debt."

The Regional District Contract obligates each Participant to pay a pro rata share of the debt service on the Contract Revenue Bonds based upon the Gross Certified Assessed Valuation of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is obligated to make such Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries, or also known as the "Contract Tax," from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful source of such Participant's income.

Pursuant to the Regional District Contract and after the issuance of the Bonds, the Regional District will have $990,250,000 principal amount of Contract Revenue Bonds remaining authorized but unissued, $727,550,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring a regional road system to serve the Service Area authorized but unissued, $390,700,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring a regional park system and other recreational facilities to serve the Service Area remaining authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the Participants. See "THE BONDS – Issuance of Additional Debt."

The Bonds and all additional Contract Revenue Bonds issued by the Regional District, will be payable from the Contract Tax.

Following the Regional District's issuance of the Bonds, the Regional District will owe the Developer approximately $79,654,400 for reimbursable expenditures to construct the Regional District Facilities. See "THE BONDS – Issuance of Additional Debt."

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Regional District or such other Participant was created. TCEQ approval is not currently required for the Regional District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities.

Each Participant, including MUD 146C, has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within its respective boundaries. At an election held on November 7, 2023, voters of MUD 146C authorized MUD 146C's issuance of the following: $296,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 146C; $296,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 146C for acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 146C; $14,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve MUD 146C; $14,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 146C for acquiring or constructing roads and improvements in aid thereof to serve MUD 146C; $32,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in MUD 146C; and $32,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 146C for acquiring or constructing parks and recreational facilities in MUD 146C. To date, MUD 146C has issued no bonds for internal facilities from such voted authorizations from the November 7, 2023, election.

See "APPENDIX A – Certain Financial Information Regarding the Participants" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The Regional District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The Regional District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the Regional District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Specific Flood Type Risks

The Service Area may be subject to the following flood risks:

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

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

National Weather Service Atlas Rainfall Study

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

Potential Impact of Natural Disaster

The Service Area is located approximately 100 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the Service Area, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the Service Area or an increase in the Participant's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty loss to taxable property within the Service Area will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the Service Area that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the Service Area are adversely affected.

Marketability

The Regional District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the Regional District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Regional District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS."

Approval of the Bonds

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

Changes in Tax Legislation

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

Cybersecurity

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

Bond Insurance Risk Factors

The Regional District has applied for an insurance policy of the Bonds to guarantee the scheduled payment of principal and interest on the Bonds. The Regional District has yet to determine whether an insurance policy will be purchased for the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

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

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

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

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

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

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. Copies of the Bond Order may be obtained from the Regional District upon written request made to the Regional District's Bond Counsel, Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd Suite 2400, Houston, Texas 77056. The Bond Order authorizes the issuance and the sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the Regional District.

Description

The Bonds are dated September 1, 2026, and will accrue interest from the initial date of delivery of the Bonds to the Initial Purchaser thereof, which is expected to be on or about September 15, 2026 (the "Date of Delivery"), with interest payable May 1, 2027, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on November 1 in each of the years shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "THE BONDS - Book-Entry-Only System." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Record Date

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

Method of Payment of Principal and Interest

The Board has appointed BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See " THE BONDS - Book-Entry-Only System."

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration

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

Redemption of the Bonds

The Regional District reserves the right, at its option, to redeem the Bonds maturing on and after November 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on November 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the Regional District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "Book-Entry-Only System above." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At separate elections held within the boundaries of each Participant, the voters of each Participant approved the Regional District Contract. Under the Regional District Contract, the Regional District is to serve as the provider of the Regional District Facilities, a regional road system to serve the Service Area ("Regional District Road Facilities") and a regional park system to serve the Service Area ("Regional District Park Facilities"). The Regional District System Facilities, Regional District Road Facilities, and Regional District Park Facilities are collectively referred to herein as the "Regional District Facilities." The Regional District Contract authorizes the Regional District to issue $1,005,100,000 principal amount of Contract Revenue Bonds. The Bonds are the Regional District's first issuance of indebtedness from such authorization. The Regional District Contract authorizes the Regional District to issue the remaining $990,250,000 principal amount of Contract Revenue Bonds, $727,550,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Regional District Road Facilities ("Contract Revenue Road Bonds"), and $390,700,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Regional District Park Facilities ("Contract Revenue Park Bonds"). The Contract Revenue Bonds, Contract Revenue Road Bonds and Contract Revenue Park Bonds are collectively referred to as the "Contract Revenue Bonds." See "THE BONDS – Issuance of Additional Debt." The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds, Contract Revenue Road Bonds, and Contract Revenue Park Bonds.

The Bonds are issued by the Regional District pursuant to the Regional District Contract approved by the voters of each Participant; the terms and conditions of the Bond Order adopted by the Board on the date of sale of the Bonds; an order of the TCEQ; an election held within the Regional District and passed by a majority of the participating voters; the Act; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

Issuance of Additional Debt

Pursuant to the Regional District Contract, the Regional District is authorized to issue $1,005,100,000 principal amount of Contract Revenue Bonds, $727,550,000 principal amount of Contract Revenue Road Bonds, and $390,700,000 principal amount of Contract Revenue Park Bonds. The Regional District Contract also authorizes the Regional District to refund any outstanding Contract Revenue Bonds, Contract Revenue Road Bonds, and Contract Revenue Park Bonds. Pursuant to the Regional District Contract, approval by each Participant and approval by the voters at an election held by each Participant is required prior to any amendment to the Regional District Contract that would increase such authorized amounts. By execution of the Regional District Contract between the Regional District and each Participant, each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued by the Regional District to finance the Regional District Facilities, including the Bonds. The Bonds; and all additional Contract Revenue Bonds, Contract Revenue Road Bonds, and Contract Revenue Park Bonds issued by the Regional District will be payable from the Contract Tax.

Pursuant to the Regional District Contract and after the issuance of the Bonds, the Regional District will have $990,250,000 principal amount of Contract Revenue Bonds, $727,550,000 principal amount of Contract Revenue Road Bonds, and $390,700,000 principal amount of Contract Revenue Park Bonds remaining authorized but unissued. The Regional District Contract (except as described above) and the Bond Order impose no limitation on the amount of Contract Revenue Bonds the Regional District may issue payable from the Contract Tax. See "RISK FACTORS – Future Debt."

Each Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Regional District or such other Participant was created. TCEQ approval is not currently required for the Regional District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See "APPENDIX A – Certain Financial Information Regarding the Participants" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

At an election held on November 7, 2023, voters of MUD 146C authorized MUD 146C's issuance of the following: $296,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing internal facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 146C; $296,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 146C for acquiring or constructing facilities necessary to provide water, sanitary sewer, and storm water drainage systems serving MUD 146C; $14,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve MUD 146C; $14,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 146C for acquiring or constructing roads and improvements in aid thereof to serve MUD 146C; $32,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in MUD 146C; and $32,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by MUD 146C for acquiring or constructing parks and recreational facilities in MUD 146C. To date, MUD 146C has issued no unlimited tax bonds for internal facilities from such voted authorizations from the November 7, 2023, election.

Source of Payment

The Bonds are payable solely from payments the Participants make to the Paying Agent/Registrar for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Regional District Contract. The Regional District Contract provides that all Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Regional District, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with Contract Revenue Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Order. Each Participant is obligated to pay its pro rata share of the Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems or from any other legally available funds of such Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Regional District; however the levy of a Contract Tax for the purpose of paying debt service on the Contract Revenue Bonds is the sole responsibility of each Participant. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are special obligations of the Regional District payable solely from the Contract Payments and are not obligations of the State of Texas; Montgomery County, Texas; any of the Participants (except the Regional District); or any entity other than the Regional District.

Contract Payments by the Participants

Principal of and interest on the Bonds are payable from and secured by each Participant's unconditional obligation to make Contract Payments. By execution of the Regional District Contract, each Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all the charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds established under the Bond Order based upon its Gross Certified Assessed Valuation as a percentage of the total Gross Certified Assessed Valuation of all Participants. Each Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such Participant on property within its boundaries for such purpose, revenues, if any derived from the operation of its water distribution and wastewater collection systems or from any other lawful source of funds. See "Source of Payment." No Participant is liable for the payments due by any other Participant. See "REGIONAL DISTRICT CONTRACT." The Regional District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Regional District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each Participant to the Paying Agent/Registrar semiannually by the dates specified by the Regional District. The Regional District specified March 1 and September 1 of each year as the dates by which Contract Payments are due to the Paying Agent/Registrar. The Bond Order provides that the Contract Payments will be paid directly to the Paying Agent/Registrar semiannually on or before March 1 and September 1 of each year.

Unconditional Obligation to Pay

All charges imposed by the Regional District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Regional District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Regional District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Regional District Facilities, failure of the Regional District to perform and observe any agreement whether expressed or implied, or any duty, liability, or obligation arising out of or connected with the Regional District Contract. All sums required to be paid by the Participants to the Regional District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Regional District Contract. If any Participant disputes the amount to be paid to the Regional District, the Participant shall nonetheless promptly make payments as billed by the Regional District and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Regional District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its over-payments. See "THE REGIONAL DISTRICT."

Funds

The Bond Order creates the debt service fund to pay debt service on bonds issued for the Regional District System Facilities (the "Contract Revenue Debt Service Fund"). At closing of the Bonds, an amount equal to eighteen (18) months of capitalized interest on the Bonds will be deposited into the Contract Revenue Debt Service Fund. The Contract Revenue Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional Contract Revenue Bonds issued by the Regional District, is to be kept separate from all other funds of the Regional District, and is to be used for payment of debt service on the Bonds and any of the Regional District's duly authorized additional bonds payable in whole or part from Contract Taxes. Amounts on deposit in the Contract Revenue Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from Contract Taxes.

The proceeds from the Contract Payments collected for and on account of Contract Revenue Bonds (including the Bonds) shall be deposited into the Contract Revenue Debt Service Fund. The Bond Order does not provide for segregated reserve funds. The Regional District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Regional District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

The Regional District further covenants that if at any time the fund balance in either the Contract Revenue Debt Service Fund or the Contract Revenue Road Debt Service Fund falls below 10% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the Bond Order (100% of the next year's debt service requirement plus

50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the Regional District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Regional District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS – Tax Exemption."

Consolidation

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

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

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

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

Registered Owners' Remedies

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

Short-Term Debt

The Regional District issued its $7,870,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated December November 7, 2025. The BAN matures on November 6, 2026, and accrues interest at a rate of 4.85% per annum, calculated on the basis of actual days elapsed. The Regional District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Bond Proceeds."

[Remainder of Page is Intentionally Left Blank]

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the Bonds will also be used to reimburse the Developer for the improvements and related costs that were not reimbursed by the BAN and to pay eighteen (18) months of capitalized interest, operating expenses, developer interest, BAN interest, and other certain costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Regional District Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the Regional District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

I.	**CONSTRUCTION COSTS**		
	Construction Costs for Water, Sewer and Drainage Facilities in Kresston	$	7,700,568
	Land Acquisition Costs		1,434,245
	Engineering, Geotechnical, CPS and Materials Testing		1,487,438
	Total Construction Costs	**$**	**10,622,251**
II.	**NON-CONSTRUCTION COSTS**		
	Developer Interest (Estimated)	$	645,607
	Bond Discount (Estimated 3.00%)		445,500
	Operating Expenses		418,500
	Capitalized Interest (18-months at an estimated 5.75%)		1,280,813
	BAN Interest		452,525
	Total Non-Construction Costs	**$**	**3,242,945**
III.	**ISSUANCE COSTS AND FEES**		
	Issuance Costs and Professional Fees	$	695,591
	BAN Issuance Expenses		170,463
	Bond Application Report Costs		60,000
	State Regulatory Fees		46,625
	Contingency (a)		12,125
	Total Non-Construction Costs	**$**	**984,804**
	TOTAL BOND ISSUE REQUIREMENT	**$**	**14,850,000**

(a) Contingency represents the difference in the TCEQ approved amount for professional fees and the actual contractual amount.

The Regional District Engineer has advised the Regional District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developer for the costs of the above-described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ; however, the Regional District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE PARTICIPANTS

Creation, Authority, and Description

The original district, Montgomery-Grimes Counties Municipal Utility District No. 146 ("MUD 146") was created by House Bill No. 4153, as passed by the 84th Legislature, Regular Session, of the State of Texas, effective September 1, 2015, codified as Chapter 7906, Texas Special District Local Laws Code (the "Act").

MUD 146 adopted an Order Dividing the District and Redefining the Boundaries on April 27, 2022, which divided MUD 146 into two (2) distinct districts: Montgomery-Grimes Counties Municipal Utility District No. 146A ("MUD 146A") and Montgomery-Grimes Counties Municipal Utility District No. 146B ("MUD 146B").

MUD 146C was created by an Order Dividing the District and Redefining the Boundaries adopted by MUD 146A on July 21, 2023, which divided MUD 146A into three (3) distinct districts: MUD 146A, MUD 146C, and MUD 146D. Currently, MUD 146A and MUD 146B are not Participants and are not included or planned to be included in the Kresston development.

Each Participant operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road projects as provided under Section 52, Article III of the Texas Constitution. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities.

The Participants are empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before a Participant could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the Participant; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. No Participant provides fire protection service, and the Board of each Participant has not considered calling such an election at this time.

Authorized Bonds and Debt Service Tax

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, road, and park and recreational facilities to the land within their boundaries. Such bonds are secured by a continuing direct annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "THE PARTICIPANTS – Contract Taxes."

Each of the Participants has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See "APPENDIX A – Certain Financial Information Regarding the Participants" for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for each Participant.

Operations

Each Participant has or will construct internal water, wastewater, and drainage facilities, and may also construct internal road and park and recreational facilities, within its respective boundaries. Pursuant to the Regional District Contract, each Participant is required to purchase potable water from the Regional District and sell such water to its customers, and collect domestic wastewater from its customers, which the Regional District provides for the treatment and discharge of the wastewater. The Regional District has a Wholesale Water Service Agreement (the "Wholesale Agreement") with MSEC Enterprises, Inc. ("MSEC") under which MSEC will provide wholesale water services to the land located within the Service Area and the Regional District is the retail provider to customers in the Service Area. Pursuant to the Wholesale Agreement, the Regional District is obligated to pay MSEC a monthly service charge for such wholesale water services. Pursuant to the Regional District Contract, the Participant districts will pay a monthly fee to the Regional District to cover their pro rata share of these charges. See "THE REGIONAL DISTRICT FACILITIES."

Each Participant sets its own retail rates for water distribution and wastewater collection services and is required by the Regional District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own System (herein defined), and, together with tax revenues, to pay its Contract Payments. The Regional District does not expect that revenues from Participants' retail charges will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds.

Contract Taxes

The Regional District has the authority to issue Contract Revenue Bonds, including the Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participant's however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Regional District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes levied without legal limit as to rate or amount, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The Regional District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of the Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under a bond order.

The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance and operations tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax.

Management

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data

See "APPENDIX A – Certain Financial Information Regarding the Participants" for financial information for each Participant.

Tax Increment Reinvestment Zone

The Regional District lies within Tax Increment Reinvestment Zone Number One, Montgomery County, Texas (the "TIRZ"), and may receive a portion of the tax increment revenues generated within the TIRZ (the "TIRZ Revenues"). Such TIRZ Revenues, if and when received, may be used by the Regional District to pay or reimburse the Developer for costs of certain public road improvements and related infrastructure, to assist in the payment of debt service on the Regional District's Contract Revenue Road Bonds, or, if allowed under state law, may be pledged as security for the Regional District's Contract Revenue Road Bonds. The Reinvestment Zone Financing Plan for the Zone (the "Financing Plan") provides that the Regional District may issue approximately $39,770,000 of bonds secured by the TIRZ Revenues. The County has agreed to participate in the TIRZ and to deposit in the Tax Increment Fund of the Regional District 75% of a certain portion of the tax revenues the County collects within the boundaries of the TIRZ ("Tax Increments"), which are attributable to the increase in taxable value of real property within the TIRZ, including the property within the Service Area, over a base value as of January 1, 2024. The TIRZ terminates on December 31, 2049. There is, however, no assurance that such payments will be received in any particular year, or that such revenues will be used to pay debt service on the Contract Revenue Road Bonds.

The TIRZ Revenues are not pledged to the repayment of the Bonds and the County has no legal or other obligation to continue the payments beyond the term of the TIRZ or the agreements governing it. The Bonds are secured solely by and payable from the levy and collection of an ad valorem tax levied on all taxable property within the Participants as described under "THE BONDS – Source of Payment."

REGIONAL DISTRICT CONTRACT

MUD 146C and the other Participants have executed the Regional District Contract with the Regional District for the construction, financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Regional District Contract from voters at elections held within their respective boundaries. The Regional District, in its capacity as the provider for the Regional District Facilities, will construct the Regional District Facilities and provide services from those Regional District Facilities.

The Regional District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment is based upon Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata share of the annual debt service payments on the Contract Revenue Bonds from the proceeds of the

Contract Tax, revenues derived from the operation of its water distribution and wastewater collection system or from any other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, including the Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond order. Each Participant's Contract Payment will be calculated annually by the Regional District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

The Regional District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Regional District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Regional District is the financing vehicle for all Regional District Facilities and will own and operate all Regional District System Facilities (except for roadways that are accepted by Montgomery County, as applicable, for operation and maintenance).

Each Participant will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Regional District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Regional District fails to finance or provide Regional District System Facilities as required by the Service Area, each Participant has the right pursuant to the Regional District Contract to design, acquire, construct, or expand the Regional District System Facilities needed to provide it with service.

Each Participant is further obligated to pay monthly charges to the Regional District, for water and wastewater services rendered pursuant to the Regional District Contract. The monthly charges to be paid by each Participant to the Regional District will be used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses is based upon a "unit cost" of operation and maintenance expense, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family connections ("ESFCs") reserved to it on the first day of the previous month by the unit cost per ESFC.

Pursuant to the Regional District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Regional District Contract, including its Contract Payments. The Regional District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by each Participant to the Regional District pursuant to the Regional District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Regional District Contract provides that the Regional District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Regional District's facilities by such Participant in addition to the Regional District's other remedies pursuant to the Regional District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Regional District under the Regional District Contract. See "THE BONDS – Source of Payment."

Each Participant is obligated severally, but not jointly, to make Contract Payments to the Regional District in an amount sufficient to pay its debt service requirements on Contract Revenue Bonds. No Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants.

THE REGIONAL DISTRICT

Management of the District

The Regional District is governed by its Board of Directors (the "Board") consisting of five directors, who have control over and management supervision of all affairs of the Regional District. All of the directors own property in the Regional District. The directors serve staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Ashley Naquin	President	2030
Zach Richmond	Vice President	2030
Judith A. Olson	Secretary	2030
Louis Trapolino	Assistant Secretary	2028
Vacant	Assistant Secretary	2028

Investment Policy

The Regional District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Public Funds Investment Act"). The Regional District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio.

Funds of the Regional District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the Regional District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Public Funds Investment Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The Regional District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the Regional District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The tax assessor/collector for the Regional District is Assessments of the Southwest, Inc.

Bookkeeper: The Regional District's bookkeeper is Myrtle Cruz, Inc. (the "Bookkeeper").

Auditor: As required by the Texas Water Code, the Regional District retains an independent auditor to audit the Regional District's financial statements annually, which annual financial statements are filed with the TCEQ. The Regional District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended February 28, 2026, which audited financial statements are included herein under "APPENDIX B."

Engineer: The Regional District's engineer is LJA Engineering, Inc. (the "Engineer").

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

Disclosure Counsel: The Regional District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Operator: The Regional District's operator is Municipal District Services, LLC (the "Operator").

Financial Advisor: Cedar Creek Municipal Advisors, LLC serves as financial advisor ("Financial Advisor") to the Regional District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Service Area

The Service Area contains approximately 1,463 acres. This approximate 1,463 acres is comprised of the land within MUD 146C (8 acres) and MUD 146D (533 acres). The remaining acreage of the Service Area will later be annexed into a Participant's boundaries. The Participants (MUD 146C and MUD 146D) have entered into the Regional District Contract with the Regional District. Pursuant to the Regional District Contract, the Regional District is obligated to provide the Regional District Facilities to serve the land in the Service Area. A portion of the Service Area is located in Montgomery County, Texas, and a portion of the Service Area is located in Grimes County, Texas, approximately 45 miles northwest west of the central business district of the City of Houston, Texas. The Service Area is not located within any extraterritorial jurisdiction or corporate limits of any city. The Service Area lies within the Magnolia Independent School District.

Status of Development Within the Service Area

Currently, development activity is ongoing within the boundaries of MUD 146D. Within the Service Area, approximately 533 acres (621 lots) have been developed as the single-family residential subdivisions of Kresston, Sections 1-9, 15, 20 & 20A. As of May 1, 2026, approximately 209 homes were complete (approximately _135 occupied and approximately 74 unoccupied), approximately 71 homes were under construction, and approximately 341 lots were developed and vacant. The remainder of land within the Service Area is comprised of future single-family residential and undevelopable acreage including public rights-of-way, drainage, detention, open space, recreation and utility sites.

Homebuilders Active Within the Service Area

The homebuilders active within the Service Area are Chesmar Homes, David Weekley Homes, Gracepoint Homes, Highland Homes, Huntington Homes, Perry Homes, Toll Brothers, Village Builders, and Westin Homes. Prices of new homes being constructed within the Service Area range from approximately $299,990 to over $700,000 and range in size from approximately 1,400 to 5,000 square feet.

[Remainder of Page is Intentionally Left Blank]

General Fund Operating Statement

The following is a summary of the Regional District's operating fund activity. The summary below has been prepared by the Financial Advisor based upon information obtained from the Master District Operating Fund included in the Regional District's unaudited financial statements for the fiscal year ended February 29, 2024 and the audited financial statements for the fiscal year ended February 28, 2025 through 2026. Reference is made to such statements for further and more complete information. See "APPENDIX B."

	Fiscal Year Ended February 28,		
	2026	2025	2024 (a)
Revenues			
Participant Billings	$ 831,174	$ -	$ -
Tax Increment - Montgomery County	64,685	-	-
Total	$ 895,859	$ -	$ -
Expenditures			
Purchased Services	$ 325,499		$ -
Professional Fees	187,325	166,074	216,796
Contracted Services	15,395	13,092	4,033
Repairs & Maintenance	277,578	-	-
Administrative	15,890	13,345	8,910
Other	-	375	-
Total	$ 821,687	$ 192,886	$ 229,739
NET REVENUES (Deficit)	$ 74,172	$ (192,886)	$ (229,739)
Other Financing Sources (Uses):			
Developer advances	$ 15,000	$ 378,500	$ 25,000
Participants True Up	-		
Beginning fund balance	$ (19,125)	$ (204,739)	$ -
Ending fund balance	$ 70,047	$ (19,125)	$ (204,739)

PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA

(July 2026)

THE DEVELOPER

Role of the Developer

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

Developer

The developer of land and principal landowner within the Service Area is 249 SH Holdings LLC, a Delaware limited liability company (the "Developer"). The Developer is a single purpose entity formed and capitalized for the sole purpose of developing the Service Area. The Developer currently owns the remaining developable acres within the Service Area and has developed the single family residential subdivisions of Kresston, Sections 1-9,15, 20, and 20A within MUD 146D. Johnson SH249 Investors, LLC, a Texas limited liability company, is the managing member of the Developer and is affiliated with The Johnson Development Corp. ("JDC").

JDC has over 40 years of experience in real estate development and its real estate activities have included over 100 projects resulting in the development of nearly 40,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master-planned golf course communities and multi-family housing. In the Houston metropolitan area, JDC's developments include Atascocita, Steeplechase, Sienna, Riverstone, Silverlake, Fall Creek, Woodforest, Imperial Sugar Land, Edgewater, Tuscan Lakes, Cross Creek Ranch, Harmony, Harvest Green, Jubilee, Grand Central Park, Jordan Ranch, and Veranda. See "THE DEVELOPER."

REGIONAL DISTRICT DEBT

General

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

Regional Direct Debt:			
The Bonds	$	14,850,000	
Total Direct Debt	$	14,850,000	
Estimated Overlapping Debt	$	973,240	(a)
Total Direct and Estimated Overlapping Debt	$	15,823,240	(a)
Contract Revenue Debt Service Fund Balance (as of July 31, 2026)	$	1,280,813	(b)(c)
General Operating Fund Balance (as of July 31, 2026)	$	28,807	(d)

(a) See "Estimated Direct and Overlapping Debt Statement" herein.

(b) Includes eighteen (18) months of capitalized interest to be deposited into the Contract Revenue Debt Service Fund upon closing and delivery of the Bonds. The amount above is estimated at 5.75%. Neither Texas law nor the Bond Order requires that the Regional District maintain any particular sum in the Contract Revenue Debt Service Fund. Money deposited into the Contract Revenue Debt Service Fund can only be used to pay debt service on the Contract Revenue Bonds, such as the Bonds. Funds deposited into the Contract Revenue Debt Service Fund are not pledged to the Contract Revenue Road Bonds.

(c) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Regional District. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "REGIONAL DISTRICT CONTRACT."

(d) See "RISK FACTORS – Operating Funds."

Assessed Valuations of the Participants

Participant	Estimated Gross Assessed Valuation as of May 1, 2026 (c)	Percent of Total	2026 Gross Preliminary Taxable Assessed Valuation (b)	Percent of Total	2025 Gross Taxable Assessesd Valuation (a)	Percent of Total
MUD 146C	$ 2,229	0.002%	$ 1,786	0.002%	$ 2,061	0.006%
MUD 146D	135,025,073	99.998%	102,045,718	99.998%	33,700,163	99.994%
Total	$ 135,027,302	100.000%	$ 102,047,504	100.000%	$ 33,702,224	100.000%

(a) Represents the gross assessed valuation as of January 1, 2025, of all taxable property of all Participants in the Service Area, as provided by the Montgomery Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the gross preliminary taxable assessed valuation as of January 1, 2026, of all taxable property of all Participants in the Service Area, as provided by the Montgomery Central Appraisal District. The preliminary values of the Participants are subject to protest by the owners of taxable property in the respective Participant. No taxes will be levied on the preliminary values. See "TAX DATA" and "TAXING PROCEDURES."

(c) This amount includes an estimate of the gross assessed value of all taxable property located within the Participants as provided by the Montgomery Central Appraisal District as of May 1, 2026. This amount represents an estimated $2,229 for MUD 146C and an estimated $135,025,073 for MUD 146D. No taxes will be levied on these estimated values. See "TAX DATA" and "TAXING PROCEDURES."

Tax Rates of the Participants

The Participants pay contract payments to the Regional District each March 1 and September 1 in equal amounts. The contract payment calculations for each Participant are based on the Participant's Gross Certified Assessed Valuation, as defined in the Regional District Contract, and does not make allowance for any exemptions granted by the Participant. See "REGIONAL DISTRICT CONTRACT."

Participant	2025 Debt Service Tax Rate	2025 Maintenance Tax Rate	2025 Contract Tax Rate (a)	2025 Total Tax Rate
MUD 146C	$0.00	$0.00	$0.00	$0.00
MUD 146D	$0.00	1.50	$0.00	$1.50

(a) The Regional District Contract provides that a Participant may make Contract Payments from the proceeds of the Contract Tax or from any other lawful sources, which include proceeds from the Participant's levy of a maintenance tax rate and operating funds advanced by the Developer. See "RISK FACTORS – Dependence on Major Taxpayers and the Developer."

Debt Ratios

Direct Debt Ratios (a):	
As a percentage of the 2025 Gross Certified Assessed Valuation of the Participants	44.06 %
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	14.55 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026	11.00 %
Direct and Estimated Overlapping Debt Ratios (a):	
As a Percentage of the 2025 Gross Certified Assessed Valuation of the Participants	46.95 %
As a Percentage of the 2026 Gross Preliminary Taxable Assessed Valuation of the Participants	15.51 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026	11.72 %

(a) Includes the Bonds.

[Remainder of Page is Intentionally Left Blank]

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Regional District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Regional District, the Regional District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the Regional District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes. Totals may not sum due to rounding.

Taxing Jurisdiction	Tax Year	Taxable Assessed Value	Debt as of 5/31/2026	Overlapping Percent	Overlapping Amount
Montgomery County	2025	$ 109,225,859,474	$ 535,450,000	0.03%	$ 165,216
Montgomery County Hospital District	2025	110,942,281,606	-	0.03%	$ -
Magnolia Independent School District	2025	12,037,165,656	276,660,000	0.28%	$ 774,606
Lone Star College District	2025	344,960,954,223	342,055,000	0.01%	$ 33,418
Total Estimated Overlapping Debt					$ 973,240
The District Direct Debt (a)					$ 14,850,000
Total Direct Debt and Estimated Overlapping Debt (a)					$ 15,823,240

-

(a) Includes the Bonds.

[Remainder of Page is Intentionally Left Blank]

TAXING PROCEDURES

Authority to Levy Taxes

Each Participant is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal of and interest on any unlimited tax bonds issued by it, Contract Payments on the Contract Revenue Bonds, including the Bonds, that the Regional District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance and operations tax not to exceed $1.500 per $100 valuation for the operation and maintenance of water, wastewater, drainage, and park and recreational facilities.

Property Tax Code and County Wide Appraisal District

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

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property and tangible personal property in each Participant is subject to taxation by such Participant; however, it is expected that no effort will be made by a Participant to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, each Participant may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. Each Participant would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in such Participant's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, no Participant has granted any such exemptions. Each Participant must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, each

Participant does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as each Participant may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. No Participant has exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

General Residential Homestead Exemption: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2026 tax year, no Participant has granted a general residential homestead exemption.

Tax Abatement

Montgomery County or Grimes County may designate all or part of the Service Area within its boundaries a reinvestment zone. Thereafter, Montgomery County, Grimes County and the Participant, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Participants, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms with a comprehensive plan. At this time, neither Montgomery County nor Grimes County has designated any of the Service Area as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the Participants must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Participants in establishing their tax rate. Assessments under the Property Tax Code are to be based on 100% of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the Participants in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis.

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

Participant and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Participant can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to each Participant's Tax Assessor/Collector, as of January 1, 2026, no land within the Participants was designated for agricultural use, open space, inventory deferment, or timberland.

Levy and Collection of Taxes

Each Participant is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Each Participant adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in each Participant's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by such Participant. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in each Participant's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by such Participant prior to July 1. Each Participant's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. A Participant may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with a Participant to pay such taxes in installments over a period of between 12 and 36 months (as determined by such Participant) when such person has not entered into another installment agreement with respect to delinquent taxes with such Participant in the preceding 24 months.

Rollback of Maintenance and Operations Tax Rate

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

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

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

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

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

Participant's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the Regional District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the Regional District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Regional District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The Regional District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the Regional District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS – Tax Collection Limitations."

TAX DATA

Contract Tax

The Regional District has the authority to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemption granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Regional District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual unlimited Contract Taxes, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amount necessary to establish and maintain funds established under the bond order.

Debt Service Tax

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a continuing direct annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See "APPENDIX A – Certain Financial Information Regarding the Participants" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds.

Maintenance and Operations Tax

Each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing, and operating all necessary land, plants, works facilities, improvements, appliances, and equipment, if such maintenance and operations tax is authorized by a vote of the Participant's electors. Each Participant is authorized by its voters to levy such maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation.

Such taxes would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. See "APPENDIX A – Certain Financial Information Regarding the Participants."

Tax Rate Limitation

Contract Tax:	Unlimited (no legal limit as to rate or amount).
Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 Taxable Assessed Valuation.

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per $100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction		2025 Tax Rate
Montgomery County	$	0.377000
Montgomery County Hospital District		0.047300
Magnolia Indpendent School District		0.958300
Lone Star College System		0.106000
Montgomery-Grimes Counties MUD No. 146D		1.500000
Montgomery Co. ESD No. 10		0.092200
Total Tax Rate	$	3.080800

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Bonds if no growth in the Participant’s tax base occurs beyond the 2025 Gross Certified Assessed Valuation ($33,702,224), the 2026 Gross Preliminary Taxable Assessed Valuation ($102,047,504), or the Estimated Gross Assessed Valuation of the Participants as of May 1, 2026 ($135,027,302). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the Regional District.

Estimated Average Annual Debt Service Requirement (2028-2051).......$1,076,281
Contract Tax Rate of $3.37 on the 2025 Gross Certified Assessed Valuation produces.......$1,078,977
Contract Tax Rate of $1.12 on the 2026 Gross Preliminary Taxable Assessed Valuation produces.......$1,085,785
Contract Tax Rate of $0.84 on the Estimated Gross Assessed Valuation as of May 1, 2026 produces.......$1,077,518

Estimated Maximum Annual Debt Service Requirement (2030).......$1,078,250
Contract Tax Rate of $3.37 on the 2025 Gross Certified Assessed Valuation produces.......$1,078,977
Contract Tax Rate of $1.12 on the 2026 Gross Preliminary Taxable Assessed Valuation produces.......$1,085,785
Contract Tax Rate of $0.85 on the Estimated Gross Assessed Valuation as of May 1, 2026 produces.......$1,090,345

Gross Assessed Valuation Summary

The following represents the type of property comprising the 2025 tax rolls of each Participant as certified by the Appraisal District.

	MUD 146C 2025 Assessed Valuation	MUD 146D 2025 Assessed Valuation
Land	$ 40,640	$ 27,775,126
Improvements	77	8,317,106
Personal Property	-	94,540
Exemptions	(38,656)	(2,486,609)
Total	$ 2,061	$ 33,700,163

Principal Taxpayers

The following are the principal taxpayers in the Service Area as shown on the Participant's certified appraisal rolls for the 2025 tax year.

Taxpayer	Property Type	2025 Tax Year	% of Tax Roll
Westin Homes and Properties LP (a)	Land & Improvements	$ 9,104,156	27.014%
Perry Homes LLC (a)	Land & Improvements	7,023,536	20.840%
Highland Homes Houston LLC (a)	Land & Improvements	6,684,523	19.834%
Chesmar Homes LLC (a)	Land & Improvements	3,689,000	10.946%
Weekley Homes LLC (a)	Land & Improvements	3,256,001	9.661%
Millrose Properties Texas LLC (b)	Land & Improvements	1,577,000	4.679%
249 SH Holdings LLC (c)	Land & Improvements	1,520,851	4.513%
Slate Non NC/Non WA Property	Land & Improvements	646,657	1.919%
Lennar Homes of Texas (a)	Land & Improvements	199,500	0.592%
Individual	Land & Improvements	100	0.000%
Total		$ 33,701,324	99.997%

(a) See "THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area."
(b) Such entity is affiliated with Lennar Homes of Texas, a homebuilder in the District.
(c) See "THE DEVELOPER – Developer."

THE REGIONAL DISTRICT FACILITIES

General

The internal water distribution, wastewater collection, and stormwater facilities are being provided by the Participants. Water supply is being provided by the Regional District but owned MSEC through contractual agreement. The Service Area's wastewater treatment plant is being constructed and financed by the Regional District. All of such water, wastewater, and drainage facilities are referred to herein as the "System." The Regional District, pursuant to the Regional District Contract, has the responsibility to finance such regional facilities necessary to serve the Service Area.

Regulation

Construction and operation of the water, wastewater, and drainage facilities serving the Service Area is subject to regulation by all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the United States Environmental Protection Agency, TCEQ, Montgomery County and Grimes County. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Wholesale Agreement for Water

The Regional District currently obtains water from MSEC CCN No. 12887 Crown Ranch community water distribution system pursuant to the executed Wholesale Agreement. The current water plant includes one 150 gallons per minute ("gpm")well and one 1,500 gpm well; two 5,000 gallon high pressure tanks (HPT), two 15,000 gallon HPTs; three 30,000 gallon ground storage tanks, two 40,000 gallon ground storage tanks and one 606,000 gallon ground storage tanks; and two 400 gpm booster pumps and two 2,000 gpm booster pumps. The Regional District has contracted for 1,000 connections.

MSEC filed a petition for voluntary CCN decertification pursuant to Texas Water Code Section 13.254(a) to remove the Service Area from MSEC's CCN, in accordance with the terms of the Wholesale Agreement. Until the Service Area is released from MSEC's CCN, pursuant to the Wholesale Agreement, MSEC is the wholesale provider and the Regional District is the retail provider of water to customers within the Service Area. The Regional District, pursuant to the Regional District Contract, will finance the construction of new regional water supply facilities. Pursuant to the terms of the Wholesale Agreement, the Crown Ranch water system is authorized to provide service for up to 1,000 water connections. While the Regional District does not currently have an operational Water Supply Plant, one is currently in design.

Wastewater Treatment

The Regional District currently provides the wastewater treatment plant capacity required for the Participant Districts within the Service Area pursuant to the terms of the Regional District Contract. The Regional District is currently served by a 150,000 gallon per day regional Wastewater Treatment Plant ("Regional WWTP"). An additional phased expansion to 300,000 gallons per day is projected in the future, expanding the plant to its ultimate projected configuration. The wastewater treatment plant has sufficient capacity to serve 600 ESFCs, based upon 250 gpd per equivalent single-family connection ("ESFC").

Storm Drainage

The Service Area is located within Montgomery County and natural pattern for overland flow within the development heads south to Mill Creek. Underground storm sewers within subdivision sections are directed to Regional District ponds and drainage channels, which ultimately outfall to the Mill Creek. The Regional District is the operator of the major drainage facilities in the Service Area.

Multiple drainage system improvements, such as an underground storm sewer drainage system and drainage channels, were constructed to serve development within Kresston, Sections 1 through 5. All platted subdivisions are primarily served with curb and gutter streets and underground storm sewers. Pavement is designed and constructed with "stair stepped" sump inlets and paving elevations generally descend to a low point in the subdivision where the inlets and storm sewer system has been designed to accommodate the anticipated 100-year storm event. All other storm sewers upstream from this extreme event storm sewer system are designed to accommodate the Montgomery County design storm event. All drainage facilities were designed in accordance with Montgomery County Drainage District minimum design criteria. Drainage facilities were constructed to convey storm water runoff through the storm sewers into Regional District ponds and drainage channels.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the "100-year flood plain," is depicted on these maps. The 100-year flood plain as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the developable acreage in the Service Area lies within the 100-year floodplain.

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

LEGAL MATTERS

Legal Opinions

The Regional District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the Regional District payable from Contract Payment. The Regional District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the Regional District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Regional District, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the Regional District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from Contract Payment. Bond Counsel's opinion will also address the matters described below.

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE PARTICIPANTS," "REGIONAL DISTRICT CONTRACT," "TAXING PROCEDURES," "THE REGIONAL DISTRICT FACILITIES – Wholesale Agreement for Water," and "LEGAL MATTERS" (as it related to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the Regional District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

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

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

Not-Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond.

The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO-LITIGATION CERTIFICATE

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the Regional District, or the title of the officers thereof to their respective offices.

NO MATERIAL ADVERSE CHANGE

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Regional District will provide certain updated financial information and operating data to the MSRB annually.

The information to be updated with respect to the Regional District includes all quantitative financial information and operating data of the general type included under "REGIONAL DISTRICT DEBT," (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," "APPENDIX A – Certain Financial Information Regarding the Participants," and "APPENDIX B – Financial Statements of the Participants." The Regional District will update and provide this information within six (6) months after the end of each of the fiscal years ending in or after 2026. The Regional District will provide the updated information to EMMA.

The Regional District will provide the updated information to the MSRB through its EMMA system. The Regional District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements if an audit is commissioned and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the Regional District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the Regional District and the Participants may be required to employ from time to time pursuant to state law or regulation.

The Regional District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the Regional District changes its fiscal year. If the Regional District changes its fiscal year, it will notify EMMA of the change.

Event Notices

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

Availability of Information from EMMA

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

Limitations and Amendments

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

The Regional District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Regional District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Regional District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Regional District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the Regional District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Bonds are the first issuance of bonded indebtedness by the Regional District, and as such, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The Regional District's financial statements and the financial statements for MUD 146D, were audited by McGrath & Co., PLLC and are attached hereto under "APPENDIX B – Financial Statements of the Participants." McGrath & Co., PLLC has consented to the publication of such financial statements herein. See "APPENDIX B – Financial Statements of the Participants."

Experts

The information contained in the Official Statement relating to engineering and to the description of Regional District Facilities, and, in particular, that engineering information included under "THE REGIONAL DISTRICT – Status of Development Within the Service Area" and "THE REGIONAL DISTRICT FACILITIES," has been provided by the Regional District Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "REGIONAL DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Montgomery-Grimes Counties Municipal Utility District No. 146C as of the date shown on the cover page hereof.

/s/ ______________________________
President, Board of Directors
Montgomery-Grimes Counties Municipal Utility District No. 146C

ATTEST:

/s/ ______________________________
Secretary, Board of Directors
Montgomery-Grimes Counties Municipal Utility District No. 146C

APPENDIX A

Certain Financial Information Regarding the Participants

MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146C

(IN ITS CAPACITY AS A PARTICIPANT)

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	296,000,000
Voter Authorized Unlimited Tax Refunding Water, Sewer, and Drainage Bonds	$	296,000,000
Voter Authorized Unlimited Tax Road Bonds	$	14,000,000
Voter Authorized Unlimited Tax Refunding Road Bonds	$	14,000,000
Voter Authorized Unlimited Tax Park Bonds	$	32,700,000
Voter Authorized Unlimited Tax Refunding Park Bonds	$	32,700,000
Total Principal Amount of Unlimited Tax Bonds Issued	$	0
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt	$	0
2025 Gross Certified Assessed Valuation	$	2,061
2026 Gross Preliminary Taxable Assessed Valuation	$	1,786
Estimated Gross Assessed Valuation as of May 1, 2026	$	2,229
Gross Assessed Valuation as a Percentage of the:		
2025 Gross Certified Assessed Valuation of the Participants		0.006 %
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		0.002 %
Estimated Gross Assessed Valuation as of May 1, 2026		0.002 %
Estimated Average Annual Debt Service Requirement (2028-2051):	$	1,076,281
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	66
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	19
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2026	$	22
Estimated Maximum Annual Debt Service Requirement (2030):	$	1,078,250
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	66
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	19
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2026	$	22
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 3.37
Estimated Maximum Annual Debt Service Requirement		$ 3.37
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation, at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 1.12
Estimated Maximum Annual Debt Service Requirement		$ 1.12
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of May 1, 2026, at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 0.84
Estimated Maximum Annual Debt Service Requirement		$ 0.85
Status of Development as of May 1, 2026 (a):		
Approximate Total Developed Acreage		8 (a)
Single-Family Homes		0
Total Developed Lots		0

(a) No lands in MUD 146C have or will be developed for single-family residential properties. Lands in MUD 146C are primarily dedicated to major thoroughfares, detention ponds, and commercial parcels. All commercial parcels have been developed in that utilities have been constructed to service the parcels, however no commercial improvements have been constructed to date.

Principal Taxpayers

The following represents the principal taxpayers on MUD 146C's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Property Type	2025 Tax Year	% of Tax Roll
249 SH Holdings LLC (a)	Land & Improvements	$ 1,561	75.74%
Individual	Land & Improvements	100	4.85%
Individual	Land & Improvements	100	4.85%
Individual	Land & Improvements	100	4.85%
Individual	Land & Improvements	100	4.85%
Individual	Land & Improvements	100	4.85%
	Total	$ 2,061	100.00%

(a) See "THE DEVELOPER."

Historical Tax Collections

The District has not levied an ad valorem tax at this time.

Tax Rate Distribution

The District has not levied an ad valorem tax at this time.

MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146D

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds	$	446,400,000
Voter Authorized Unlimited Tax Refunding Water, Sewer, and Drainage Bonds	$	446,400,000
Voter Authorized Unlimited Tax Road Bonds	$	427,100,000
Voter Authorized Unlimited Tax Refunding Road Bonds	$	427,100,000
Voter Authorized Unlimited Tax Park Bonds	$	191,800,000
Voter Authorized Unlimited Tax Refunding Park Bonds	$	191,800,000
Total Principal Amount of Unlimited Tax Bonds Issued	$	0
Debt Service Tax Limitation (per $100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per $100 of Assessed Valuation)		$ 1.500
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt	$	0
2025 Gross Certified Assessed Valuation	$	33,700,163
2026 Gross Preliminary Taxable Assessed Valuation	$	102,045,718
Estimated Gross Assessed Valuation as of May 1, 2026	$	135,025,073
Gross Assessed Valuation as a Percentage of the:		
2025 Gross Certified Assessed Valuation of the Participants		99.994 %
2026 Gross Preliminary Taxable Assessed Valuation of the Participants		99.998 %
Estimated Gross Assessed Valuation as of May 1, 2026, of the Participants		99.998 %
Estimated Average Annual Debt Service Requirement (20260–2052):	$	1,076,281
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	1,076,215
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	1,076,262
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2026	$	1,076,260
Estimated Maximum Annual Debt Service Requirement (2030):	$	1,078,250
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation	$	1,078,184
Pro Rata Share Based on the 2026 Gross Preliminary Taxable Assessed Valuation	$	1,078,231
Pro Rata Share Based on the Estimated Gross Assessed Valuation as of May 1, 2026	$	1,078,228
Tax Rate Required to Pay Pro Rata Share Based Upon 2025 Certified Gross Assessed Valuation at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 3.37
Estimated Maximum Annual Debt Service Requirement		$ 3.37
Tax Rate Required to Pay Pro Rata Share Based Upon 2026 Gross Preliminary Taxable Assessed Valuation at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 1.12
Estimated Maximum Annual Debt Service Requirement		$ 1.12
Tax Rate Required to Pay Pro Rata Share Based Upon Estimated Gross Assessed Valuation as of May 1, 2026, at 95% Tax Collections		
Estimated Average Annual Debt Service Requirement		$ 0.84
Estimated Maximum Annual Debt Service Requirement		$ 0.85
Status of Single-Family Development as of May 1, 2026:		
Approximate Total Developed Acreage		533
Single-Family Homes		280 (a)
Total Developed Lots		621

(a) Includes approximately 71 homes under construction as of May 1, 2026.

Principal Taxpayers

The following represents the principal taxpayers on MUD 146D's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Property Type	2025 Tax Year	% of Tax Roll
Westin Homes and Properties LP (a)	Land & Improvements	$ 9,104,156	27.015%
Perry Homes LLC (a)	Land & Improvements	7,023,536	20.841%
Highland Homes Houston LLC (a)	Land & Improvements	6,684,523	19.835%
Chesmar Homes LLC (a)	Land & Improvements	3,689,000	10.947%
Weekley Homes LLC (a)	Land & Improvements	3,256,001	9.662%
Millrose Properties Texas LLC (b)	Land & Improvements	1,577,000	4.680%
249 SH Holdings LLC (c)	Land & Improvements	1,519,290	4.508%
Slate Non NC/Non WA Property	Land & Improvements	646,657	1.919%
Lennar Homes of Texas (a)	Land & Improvements	199,500	0.592%
Individual	Land & Improvements	100	0.000%
Total		$ 33,699,763	99.999%

(a) See "THE REGIONAL DISTRICT – Homebuilders Active Within the Service Area."
(b) Such entity is affiliated with Lennar Homes of Texas, a homebuilder in the District.
(c) See "THE DEVELOPER – Developer."

Historical Tax Collections

Year	Taxable Assessed Valuation	Tax Rate per $100 (a)	Tax Levy	% of Current Collections	Tax Year Ended 9/30	% Collections as 5/31/2026
2024	$ 120,907	$ 1.50	$1,814	100.00%	2025	100.00%
2025	33,700,163	1.50	505,502	88.55%	2026	88.55%

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MUD 146D for the 2024–2025 tax years.

	2025	2024
Debt Service	$0.000	$0.000
Contract Tax	$0.000	$0.000
Maintenance & Operation	$1.500	$1.500
Total	$1.500	$1.500

APPENDIX B

Financial Statements of the Participants

MONTGOMERY – GRIMES COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 146C

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2026

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery-Grimes Counties Municipal Utility District No. 146C
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery-Grimes Counties Municipal Utility District No. 146C (the "District"), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery-Grimes Counties Municipal Utility District No. 146C, as of February 28, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
May 13, 2026

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

This section of the financial report of Montgomery-Grimes Counties Municipal Utility District No. 146C (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues*, *Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at February 28, 2026, was negative $5,601,283. This amount is negative because the District incurs debt to construct public road facilities, which it conveys to Montgomery County. The District also relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of February 28, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 201,928	$ 2,091
Capital assets	8,955,997	255,050
Total assets	9,157,925	257,141
Current liabilities	8,103,498	21,216
Long-term liabilities	6,655,710	658,550
Total liabilities	14,759,208	679,766
Net position		
Net investment in capital assets	(557,971)	
Restricted	64,685	
Unrestricted	(5,107,997)	(422,625)
Total net position	$ (5,601,283)	$ (422,625)

The total net position of the District decreased during the current fiscal year by $5,178,658. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Participant billings	$ 831,174	$ -
Tax increment - Montgomery County	64,685	
Total revenues	895,859	
Expenses		
Operating and administrative	821,722	192,886
Debt interest and fees	118,169	
Debt issuance costs	173,399	
Depreciation	140,597	
Total expenses	1,253,887	192,886
Change in net position before other item	(358,028)	(192,886)
Other item		
Transfers to other governments	(4,820,630)	
Change in net position	(5,178,658)	(192,886)
Net position, beginning of year	(422,625)	(229,739)
Net position, end of year	$ (5,601,283)	$ (422,625)

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2026, were $86,599, which consists of $70,047 in the General Fund and $16,552 in the Capital Projects Fund.

General Fund

The District uses the General Fund to account for costs associated with the Master District's operations and maintenance of regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, recreational facilities, and road facilities. A comparative summary of the General Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 185,376	$ 2,901
Total liabilities	$ 115,329	$ 21,216
Total fund balance	70,047	(19,125)
Total liabilities and fund balance	$ 185,376	$ 2,091

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

	2026	2025
Total revenues	$ 895,859	$ -
Total expenditures	(821,687)	(192,886)
Revenues over/(under) expenditures	74,172	(192,886)
Other changes in fund balance	15,000	378,500
Net change in fund balance	$ 89,172	$ 185,614

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are revenues from Master District charges billed to participants and developer advances for operating expenses. Financial resources are influenced by a variety of factors each year:

- The District, in its capacity as a Master District, bills participating districts a monthly connection fee for the operation and maintenance of regional facilities. The amount the Master District charges is based upon a unit cost per equivalent single-family connection reserved for each participating district. See Note 11 for additional information.
- The District's developer advances funds to the District as needed to pay operating costs.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2025 Bond Anticipation Note. A summary of the financial position of the Capital Projects Fund as of February 28, 2026, is as follows:

Total assets	$ 16,552
Total fund balance	$ 16,552

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

Total revenues	$ -
Total expenditures	(7,497,723)
Revenues under expenditures	(7,497,723)
Other changes in fund balance	7,514,275
Net change in fund balance	$ 16,552

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $89,172 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District and in the Master District service area (see Note 11). The developer will be reimbursed from proceeds of future bond issues and/or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at February 28, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 1,496,483	$ 255,050
Capital assets being depreciated		
Infrastructure	7,600,111	
Less accumulated depreciation	(140,597)	
Depreciable capital assets, net	7,459,514	
Capital assets, net	$ 8,955,997	$ 255,050

Capital asset additions during the current fiscal year include the following:

- Kresston Sections 1, 2, 4 – utilities
- Kresston Section 3 – paving and utilities
- Kresston Wastewater Treatment Plant No. 1 – clearing and grubbing
- MSEC Phase 1 Waterline Interconnect
- Land acquisition for District facilities

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Montgomery County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended February 28, 2026, capital assets in the amount of $4,820,630 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of February 28, 2026, the District owes approximately $6,655,710 to the developer for completed projects and District operating expense advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $9,250,000 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues and/or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At February 28, 2026, the District had $296,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $296,000,000 for the refunding of such bonds; $32,700,000 for parks and recreational facilities and $32,700,000 for the refunding of such bonds; and $14,000,000 for road improvements and $14,000,000 for the refunding of such bonds.

During the current fiscal year, the District in its capacity as Master District, issued a $7,870,000 bond anticipation note ("BAN") to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 5 for additional information.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 895,859	$ 1,001,800
Total expenditures	(821,687)	(1,001,800)
Revenues over expenditures	74,172	
Other changes in fund balance	15,000	
Net change in fund balance	89,172	
Beginning fund balance	(19,125)	70,047
Ending fund balance	$ 70,047	$ 70,047

Basic Financial Statements

Montgomery-Grimes Counties Municipal Utility District No. 146C
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2026

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	$ 6,659	$ 16,552	$ 23,211	$ -	$ 23,211
Due from participants	114,032		114,032		114,032
Due from other governments	64,685		64,685		64,685
Capital assets not being depreciated				1,496,483	1,496,483
Capital assets, net				7,459,514	7,459,514
Total Assets	$ 185,376	$ 16,552	$ 201,928	8,955,997	9,157,925
Liabilities					
Accounts payable	$ 115,329	$ -	$ 115,329		115,329
Accrued interest payable				118,169	118,169
Bond anticipation note payable				7,870,000	7,870,000
Due to developer				6,655,710	6,655,710
Total Liabilities	115,329		115,329	14,643,879	14,759,208
Fund Balances/Net Position					
Fund Balances					
Restricted	64,685	16,552	81,237	(81,237)	
Unassigned	5,362		5,362	(5,362)	
Total Fund Balances	70,047	16,552	86,599	(86,599)	
Total Liabilities and Fund Balance	$ 185,376	$ 16,552	$ 201,928		
Net Position					
Net investment in capital assets				(557,971)	(557,971)
Restricted for TIRZ projects and related debt service				64,685	64,685
Unrestricted				(5,107,997)	(5,107,997)
Total Net Position				$ (5,601,283)	$ (5,601,283)

See notes to basic financial statements.

Montgomery-Grimes Counties Municipal Utility District No. 146C
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2026

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues					
Participant billings	$ 831,174	$ -	$ 831,174	$ -	$ 831,174
Tax increment - Montgomery County	64,685		64,685		64,685
Total Revenues	895,859		895,859		895,859
Expenditures/Expenses					
Current service operations					
Purchased services	325,499		325,499		325,499
Professional fees	187,325		187,325		187,325
Contracted services	15,395		15,395		15,395
Repairs and maintenance	277,578		277,578		277,578
Administrative	15,890		15,890		15,890
Other		35	35		35
Capital outlay		7,324,289	7,324,289	(7,324,289)	
Debt service					
Interest and fees				118,169	118,169
Debt issuance costs		173,399	173,399		173,399
Depreciation				140,597	140,597
Total Expenditures/Expenses	821,687	7,497,723	8,319,410	(7,065,523)	1,253,887
Revenues Over/(Under) Expenditures/Expenses	74,172	(7,497,723)	(7,423,551)	7,065,523	(358,028)
Other Financing Sources/(Uses)					
Proceeds from bond anticipation note		7,870,000	7,870,000	(7,870,000)	
Developer advances	15,000		15,000	(15,000)	
Repayment of operating advances		(355,725)	(355,725)	355,725	
Other Items					
Transfers to other governments				(4,820,630)	(4,820,630)
Net Change in Fund Balances	89,172	16,552	105,724	(105,724)	
Change in Net Position				(5,178,658)	(5,178,658)
Fund Balance/Net Position					
Beginning of the year	(19,125)		(19,125)	(403,500)	(422,625)
End of the year	$ 70,047	$ 16,552	$ 86,599	$ (5,687,882)	$ (5,601,283)

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery-Grimes Counties Municipal Utility District No. 146C (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

Montgomery-Grimes Counties Municipal Utility District No. 146 ("MUD 146") was organized, created and established pursuant to House Bill 4153, 84th Legislature, Regular Session, effective September 1, 2015, codified as Chapter 7906 of the Texas Special District Local Laws Code. On April 27, 2022, MUD 146 adopted an Order Dividing District and Redefining boundaries which divided MUD 146 into two districts: Montgomery-Grimes Counties Municipal Utility District No. 146A ("MUD 146A") and Montgomery-Grimes Counties Municipal Utility District No. 146B. On July 21, 2023, MUD 146A adopted an Order Dividing District and Redefining boundaries which divided MUD 146A into three districts: Montgomery-Grimes Counties Municipal Utility District No. 146A, Montgomery-Grimes Counties Municipal Utility District No. 146C (the "District"), and Montgomery-Grimes Counties Municipal Utility District No. 146D. The District operates in accordance with Section 59, Article XVI and Section 52, Article III, Texas Constitution and Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 31, 2023.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has two governmental funds, which are both considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operation and maintenance of regional water, sewer, detention and drainage, recreational, and road facilities and all other financial transactions not reported in other funds. The principal sources of revenue are from participant billings and developer advances. Expenditures include costs associated with the daily operations of the District.
- The Capital Projects Fund is used to account for the expenditures of bond anticipation note proceeds for the construction of the District's water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include income from participant billings. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities are considered improvements to land and are non-depreciable.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of amounts due from Montgomery County Reinvestment Zone No. 1 in the General Fund and unspent bond anticipation note proceeds in the Capital Projects Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to the developer; the value of capital assets transferred to Montgomery County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 86,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds at historical cost.		
Historical cost	$ 9,096,594	
Less accumulated depreciation	(140,597)	
		8,955,997
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(118,169)	
Due to developer	(6,655,710)	
Bond anticipation note	(7,870,000)	
		(14,643,879)
Total net position - governmental activities		$ (5,601,283)

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

Net change in fund balances - total governmental funds		$ 105,724
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 7,324,289	
Transfers to other governments	(4,820,630)	
Depreciation	(140,597)	
		2,363,062
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of bond anticipation note	(7,870,000)	
Developer advances	(15,000)	
Repayment of developer advances	355,725	
Interest expense accrual	(118,169)	
		(7,647,444)
Change in net position of governmental activities		$ (5,178,658)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2026, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 255,050	$ 1,241,433	$ 1,496,483
Capital assets being depreciated			
Infrastructure		7,600,111	7,600,111
Less accumulated depreciation		(140,597)	(140,597)
Subtotal depreciable capital assets, net		7,459,514	7,459,514
Capital assets, net	$ 255,050	$ 8,700,947	$ 8,955,997

Depreciation expense for the current fiscal year was $140,597.

Note 5 – Bond Anticipation Note

The District uses a bond anticipation note ("BAN") to provide short-term financing for reimbursements to its developer. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On November 7, 2025, the District, in its capacity as Master District, issued a $7,870,000 BAN with an interest rate of 4.85%, which is due on November 6, 2026.

The effect of this transaction on the District's short-term obligations are as follows:

Beginning balance	$ -
Amounts borrowed	7,870,000
Ending balance	$ 7,870,000

Note 6 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developer will construct facilities on behalf of the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	$ 658,550
Developer reimbursements	(7,324,289)
Developer funded construction and adjustments	13,662,174
Operating advances from developer	15,000
Repayment of operating advances	(355,725)
Due to developer, end of year	$ 6,655,710

In addition, the District will owe the developer approximately $9,250,000 which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount
0.3 MGD Wastewater Treatment Plant	$ 2,110,000
Legends Pointe Park - landscaping improvements	3,300,000
Kresston Phase I landscaping improvements	1,450,000
Kresston Lift Station Phase 2	880,000
Heartland Pass - utilities	720,000
Heartland Pass - paving	790,000
	$ 9,250,000

* Rounded to the nearest $10,000

Note 7 – Long-Term Debt

At February 28, 2026, the District had authorized but unissued bonds in the amount of $296,000,000 for water, sanitary sewer and drainage systems within the District and $296,000,000 for the refunding of such bonds; $32,700,000 for parks and recreational facilities and $32,700,000 for the refunding of such bonds; and $14,000,000 for road improvements and $14,000,000 for the refunding of such bonds.

Note 8 – Property Taxes

On November 7, 2023, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District has not levied a maintenance tax.

Note 9 – Transfers to other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended February 28, 2026, the District recorded transfers to other governments in the amount of $4,820,630 for road facilities constructed by a developer within the District.

Note 10 – Wholesale Agreement

On May 31, 2024, the District, 249 SH Holdings LLC ("249 SH") and MSEC Enterprises, Inc ("MSEC") entered into a Wholesale Agreement for Water Service (the "Agreement") for the purchase of wholesale water service necessary to serve 1,000 ESFCs within the Master District's service area. MSEC is responsible for the meter installation and the design and construction of the interconnect facilities necessary to connect the District to MSEC water system. The wholesale water service charge is $5.75 per 1,000 gallons of meter water flow.

The purchase price for the reserved water capacity will be $82,500 in the first year, $165,000 in the second year, $247,500 in the third year, $330,000 in the fourth year, and the greater of (1) $300,000 or (2) $27.50 multiplied by total connections times 12 in the fifth year and thereafter. During the current year, the District incurred $75,625 for reserved water capacity. The Agreement has an initial term of three years, after which it will automatically renew for one-year periods unless terminated by both the District and 249 SH.

Note 11 – Master District

On July 31, 2023, the District, in its capacity as a Master District, has entered into contracts (the "Contracts") with the District in its capacity as a participating district and Montgomery-Grimes Counties MUD 146D ("MUD 146D") whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, recreational facilities, and road facilities to serve all districts located within the Master District's service area. The term of the Contracts is 40 years.

The Master District has also entered into a Wholesale Agreement for Water Service with MSEC, under which MSEC will provide wholesale water supply to land within the Master District's service area. See Note 10 for additional information.

Operating Reserve

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the participating districts to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of February 28, 2026, the District has not established an operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections ("ESFCs") reserved to the District. During the current fiscal year, the Master District billed the participating districts $831,174 for the operation and maintenance of regional facilities.

Master District Debt

The District, in its Master District capacity, is authorized to issue contract revenue bonds in the amount of $1,005,100,000 for the purpose of acquiring and constructing water, sewer, and drainage facilities, $390,700,000 for recreational facilities, and $727,550,000 for road improvements needed to provide services to all participating districts in the service area. The participating districts, including the District in its capacity as a participating district, shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts.

Note 12 – Reinvestment Zone Development Agreement

All of the land within the District lies within the boundaries of the Montgomery County Reinvestment Zone No. 1 (the "TIRZ") which was established by Montgomery County (the "County") in June 2024. The District shall assist the County and the TIRZ in the implementation of the TIRZ project and financing plan (the "Plan"), which shall include the design and construction of public infrastructure. The base taxable assessed value of land within the TIRZ is established when the TIRZ is created. Any incremental growth in the taxable assessed value over the base is considered a "Tax Increment." The tax increment fund shall be comprised of payments from the County equaling 75% of the County's collected tax increment generated by the Zone. The purpose of the TIRZ is to fund various public works and improvements contained in the TIRZ Plan. During the current year, the District recognized $64,685 in tax increment revenues.

Note 13 – Risk Management

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

Note 14 – Economic Dependency

The District is dependent upon its developer for operating advances. The developers' willingness to make future operating advances will directly affect the District's ability to meet its future obligations.

(This page intentionally left blank)

Required Supplementary Information

Montgomery-Grimes Counties Municipal Utility District No. 146C
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	$ 454,812	$ 831,174	$ 376,362
Tax increment - Montgomery County		64,685	64,685
Total Revenues	454,812	895,859	441,047
Expenditures			
Current service operations			
Purchased services	92,790	325,499	(232,709)
Professional fees	135,000	187,325	(52,325)
Contracted services	163,212	15,395	147,817
Repairs and maintenance	35,260	277,578	(242,318)
Administrative	26,050	15,890	10,160
Other	2,500		2,500
Total Expenditures	454,812	821,687	(366,875)
Revenues Over Expenditures	-	74,172	74,172
Other Financing Sources			
Developer advances		15,000	15,000
Net Change in Fund Balance	-	89,172	89,172
Fund Balance			
Beginning of the year	(19,125)	(19,125)	
End of the year	$ (19,125)	$ 70,047	$ 89,172

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

(This page intentionally left blank)

Texas Supplementary Information

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

- [ ] Retail Water
- [ ] Wholesale Water
- [ ] Solid Waste / Garbage
- [X] Drainage
- [ ] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [ ] Irrigation
- [ ] Parks / Recreation
- [ ] Fire Protection
- [ ] Roads
- [ ] Security
- [X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- [ ] Other (Specify): ______

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to

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

Total charges per 10,000 gallons usage: Water ______ Wastewater ______

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

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

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

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

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

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

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

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

City(ies) in which the District is located: ____

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

Entirely [ ] Partly [ ] Not at all [X]

ETJs in which the District is located: ____

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? ____

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146C
TSI-2. General Fund Expenditures
For the Year Ended February 28, 2026

Purchased services	$ 325,499
Professional fees	
Legal	142,661
Audit	15,000
Engineering	29,664
	187,325
Contracted services	
Bookkeeping	15,225
Sludge removal	170
	15,395
Repairs and maintenance	277,578
Administrative	
Directors fees	9,061
Printing and office supplies	1,331
Insurance	3,722
Other	1,776
	15,890
Total expenditures	$ 821,687

See accompanying auditor's report.

(This page intentionally left blank)

Montgomery-Grimes Counties Municipal Utility District No. 146C
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years

	Amounts		
	2026	2025	2024**
Revenues			
Participant billings	$ 831,174	$ -	$ -
Tax increment - Montgomery County	64,685		
Total Revenues	895,859		
Expenditures			
Current service operations			
Purchased services	325,499		
Professional fees	187,325	166,074	216,796
Contracted services	15,395	13,092	4,033
Repairs and maintenance	277,578		
Administrative	15,890	13,345	8,910
Other		375	
Total Expenditures	821,687	192,886	229,739
Revenues Over/(Under) Expenditures	74,172	(192,886)	(229,739)
Other Financing Sources			
Developer advances	15,000	378,500	25,000
Net Change in Fund Balance	89,172	185,614	(204,739)
Fund Balance, Beginning of the year	(19,125)	(204,739)	
End of the year	$ 70,047	$ (19,125)	$ (204,739)

*Percentage is negligible
** Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues		
2026	2025	2024**
93%	-%	-%
7%		
100%	-%	-%
36%		
21%	-	-
2%	-	-
31%		
2%	-	-
	-	
92%	-	-
8%	-%	-%

Montgomery-Grimes Counties Municipal Utility District No. 146C
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2026

Complete District Mailing Address:	1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056
District Business Telephone Number:	(713) 623-4531
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 13, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Judith Olson	11/23 - 05/26	$ 2,210	$ 219	President
Ashley Naquin	11/23 - 05/26	1,989	301	Vice President
Zach Richmond	11/23 - 05/26	1,989	44	Secretary
Louis Trapolino	05/24 - 05-28	1,105	196	Assistant Secretary
Michael Moore	05/24 - 05/28	1,768	260	Assistant Secretary

Consultants		Amounts Paid		
Schwartz, Page & Harding L.L.P.	2023			Attorney
General legal fees		$ 144,628		
Bond counsel		78,700		
Myrtle Cruz, Inc.	2023	16,819		Bookkeeper
Assessments of the Southwest, Inc.	2023			Tax Collector
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	2024			Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	2023	33,268		Engineer
McGrath & Co., PLLC	2025	25,000		Auditor
Robert W. Baird & Co., Inc.	2023	78,700		Financial Advisor

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

See accompanying auditor's report.

MONTGOMERY – GRIMES COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 146D

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2026

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery-Grimes Counties Municipal Utility District No. 146D
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Montgomery-Grimes Counties Municipal Utility District No. 146D (the "District"), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Montgomery-Grimes Counties Municipal Utility District No. 146D, as of February 28, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
May 13, 2026

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

This section of the financial report of Montgomery-Grimes Counties Municipal Utility District No. 146D (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues*, *Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at February 28, 2026, was negative $3,093,660. This amount is negative because the District incurs debt to construct road facilities which it conveys to Montgomery County and relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of February 28, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 489,003	$ 185,341
Capital assets	7,912,840	4,204,051
Total assets	8,401,843	4,389,392
Current liabilities	338,467	118,754
Long-term liabilities	11,157,036	4,509,682
Total liabilities	11,495,503	4,628,436
Net position		
Net investment in capital assets	(103,188)	(18,631)
Unrestricted	(2,990,472)	(220,413)
Total net position	$ (3,093,660)	$ (239,044)

The total net position of the District decreased during the current fiscal year by $2,854,616. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

		2026		2025
Revenues				
Water and sewer service	$	224,427	$	7,700
Property taxes, penalties and interest		399,325		2,228
Regional water authority fees		47,055		28
Tap connection and inspection		357,379		
Other		2,060		127,814
Total revenues		1,030,246		137,770
Expenses				
Current service operations		1,232,744		168,347
Depreciation		168,954		79,356
Total expenses		1,401,698		247,703
Change in net position before other items		(371,452)		(109,933)
Other item				
Transfers to other governments		(2,483,164)		
Change in net position		(2,854,616)		(109,933)
Net position, beginning of year		(239,044)		(129,111)
Net position, end of year	$	(3,093,660)	$	(239,044)

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund as of February 28, 2026, was $119,919. A comparative summary of the General Fund's financial position as of February 28, 2026 and 2025, is as follows:

		2026		2025
Total assets	$	489,003	$	185,341
Total liabilities	$	338,467	$	118,754
Total deferred inflows		30,617		
Total fund balance		119,919		66,587
Total liabilities, deferred inflows and fund balance	$	489,003	$	185,341

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

	2026	2025
Total revenues	$ 999,629	$ 137,770
Total expenditures	(1,361,297)	(229,072)
Revenues under expenditures	(361,668)	(91,302)
Other changes in fund balance	415,000	262,000
Net change in fund balance	$ 53,332	$ 170,698

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The developer in the District advances funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated expenditures and developer advances.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $51,406 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues and/or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at February 28, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 1,220,665	$ 924,985
Capital assets being depreciated		
Infrastructure	6,940,485	3,358,422
Less accumulated depreciation	(248,310)	(79,356)
Depreciable capital assets, net	6,692,175	3,279,066
Capital assets, net	$ 7,912,840	$ 4,204,051

Capital asset additions during the current fiscal year include the following:

- Water meters
- Kresston Sections 3, 5, 6, 8, 9, and 20 – utilities
- Kresston Sections 6, 7, 8, 9, 15, and pond C2 – clearing and grubbing

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Montgomery County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended February 28, 2026, capital assets in the amount of $2,483,164 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of February 28, 2026, the District owes approximately $11,157,036 to the developer for completed projects and District operating expense advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of $9,370,000 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues and/or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At February 28, 2026, the District had $446,400,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $446,400,000 for the refunding of such bonds; $191,800,000 for recreational facilities and $191,800,000 for the refunding of such bonds; and $427,100,000 for road improvements and $427,100,000 for the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $75,971,000 for the 2026 tax year from $26,075,128 to $102,045,718, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 999,629	$ 1,185,300
Total expenditures	(1,361,297)	(1,529,550)
Revenues under expenditures	(361,668)	(344,250)
Other changes in fund balance	415,000	699,050
Net change in fund balance	53,332	354,800
Beginning fund balance	66,587	119,919
Ending fund balance	$ 119,919	$ 474,719

Basic Financial Statements

Montgomery-Grimes Counties Municipal Utility District No. 146D
Statement of Net Position and Governmental Fund Balance Sheet
February 28, 2026

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	$ 395,189	$ -	$ 395,189
Taxes receivable	30,617		30,617
Customer service receivables	50,962		50,962
Other receivables	12,235		12,235
Capital assets not being depreciated		1,220,665	1,220,665
Capital assets, net		6,692,175	6,692,175
Total Assets	$ 489,003	7,912,840	8,401,843
Liabilities			
Accounts payable	$ 33,649		33,649
Other payables	1,715		1,715
Customer deposits	178,491		178,491
Unearned revenue	10,580		10,580
Due to other governments	114,032		114,032
Due to developer		11,157,036	11,157,036
Total Liabilities	338,467	11,157,036	11,495,503
Deferred Inflows of Resources			
Deferred property taxes	30,617	(30,617)	
Fund Balance/Net Position			
Fund Balance			
Unassigned	119,919	(119,919)	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 489,003		
Net Position			
Net investment in capital assets		(103,188)	(103,188)
Unrestricted		(2,990,472)	(2,990,472)
Total Net Position		$ (3,093,660)	$ (3,093,660)

See notes to basic financial statements.

Montgomery-Grimes Counties Municipal Utility District No. 146D
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance
For the Year Ended February 28, 2026

	General Fund	Adjustments	Statement of Activities
Revenues			
Water service	$ 104,222	$ -	$ 104,222
Sewer service	120,205		120,205
Property taxes	362,634	30,617	393,251
Penalties and interest	6,074		6,074
Regional water authority fees	47,055		47,055
Tap connection and inspection	357,379		357,379
Miscellaneous	1,635		1,635
Investment earnings	425		425
Total Revenues	999,629	30,617	1,030,246
Expenditures/Expenses			
Current service operations			
Purchased services	837,396		837,396
Professional fees	200,280		200,280
Contracted services	119,319		119,319
Repairs and maintenance	62,785		62,785
Administrative	12,964		12,964
Capital outlay	128,553	(128,553)	
Depreciation		168,954	168,954
Total Expenditures/Expenses	1,361,297	40,401	1,401,698
Revenues Under Expenditures/Expenses	(361,668)	(9,784)	(371,452)
Other Financing Sources			
Developer advances	415,000	(415,000)	
Other Item			
Transfers to other governments		(2,483,164)	(2,483,164)
Net Change in Fund Balance	53,332	(53,332)	
Change in Net Position		(2,854,616)	(2,854,616)
Fund Balance/Net Position			
Beginning of the year	66,587	(305,631)	(239,044)
End of the year	$ 119,919	$ (3,213,579)	$ (3,093,660)

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery-Grimes Counties Municipal Utility District No. 146D (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

Montgomery-Grimes Counties Municipal Utility District No. 146 ("MUD 146") was organized, created and established pursuant to House Bill 4153, 84th Legislature, Regular Session, effective September 1, 2015, codified as Chapter 7906 of the Texas Special District Local Laws Code. On April 27, 2022, MUD 146 adopted an Order Dividing District and Redefining boundaries which divided MUD 146 into two districts: Montgomery-Grimes Counties Municipal Utility District No. 146A. ("MUD 146A") and Montgomery-Grimes Counties Municipal Utility District No. 146B. On July 21, 2023, MUD 146A adopted an Order Dividing District and Redefining boundaries which divided MUD 146A into three districts: Montgomery-Grimes Counties Municipal Utility District No. 146A, Montgomery-Grimes Counties Municipal Utility District No. 146C, and Montgomery-Grimes Counties Municipal Utility District No. 146D (the "District"). The District operates in accordance with Section 59, Article XVI and Section 52, Article III, Texas Constitution and Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 31, 2023.

The District's primary activities include construction, maintenance and operation of water, sewer, drainage and park facilities and the construction of road facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are property taxes, water and sewer service fees, tap connection and inspection fees and developer advances. Expenditures include costs associated with the daily operations of the District.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2026, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line over an estimated useful life of 10-45 years. The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Montgomery County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 119,919
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 8,161,150	
Less accumulated depreciation	(248,310)	
		7,912,840
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of amounts due to developer.		(11,157,036)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		30,617
Total net position - governmental activities		$ (3,093,660)

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

Net change in fund balances - total governmental funds		$ 53,332
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes.		30,617
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 128,553	
Depreciation expense	(168,954)	
Transfers to other governments	(2,483,164)	
		(2,523,565)
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. The difference during the current fiscal year is for the developer advances.		(415,000)
Change in net position of governmental activities		$ (2,854,616)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2026, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 924,985	$ 295,680	$ 1,220,665
Capital assets being depreciated			
Infrastructure	3,358,422	3,582,063	6,940,485
Less accumulated depreciation	(79,356)	(168,954)	(248,310)
Subtotal depreciable capital assets, net	3,279,066	3,413,109	6,692,175
Capital assets, net	$ 4,204,051	$ 3,708,789	$ 7,912,840

Depreciation expense for the current fiscal year was $168,954.

Note 5 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, recreational facilities and road improvements. Under the agreements, the developer will construct facilities on behalf of the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	$ 4,509,682
Developer funded construction and adjustments	6,232,354
Operating advances from developer	415,000
Due to developer, end of year	$ 11,157,036

In addition, the District will owe the developer approximately $9,370,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount *
Kresston Section 1 - paving	$ 770,000
Kresston Section 6 - paving	480,000
Kresston Section 7 - utilities and paving	2,300,000
Kresston Section 8 - paving	510,000
Kresston Section 9 - paving	310,000
Kresston Section 10 - clearing and grubbing	50,000
Kresston Section 15 - utilities and paving	1,800,000
Kresston Section 20 - paving	560,000
Kresston Section 1 - landscaping	1,450,000
Kresston Section 10 - utilities and paving	990,000
Kresston Section 21 - clearing and grubbing	150,000
	$ 9,370,000

* Rounded to the nearest $10,000

Note 6 – Long-Term Debt

At February 28, 2026, the District had authorized but unissued bonds in the amount of $446,400,000 for water, sewer and drainage facilities and $446,400,000 for the refunding of such bonds; $191,800,000 for recreational facilities and $191,800,000 for the refunding of such bonds; and $427,100,000 for road improvements and $427,100,000 for the refunding of such bonds.

Note 7 – Property Taxes

On November 7, 2023, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value.

All property values and exempt status, if any, are determined by the Montgomery Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was $391,127 on the adjusted taxable value of $26,075,128.

Property taxes receivable, at February 28, 2026, consisted of the following:

Current year taxes receivable	$ 28,493
Penalty and interest receivable	2,124
Property taxes receivable	$ 30,617

Note 8 – Transfers to Other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended February 28, 2026, the District recorded transfers to other governments in the amount of $2,483,164 for road facilities constructed by a developer within the District.

Note 9 – Master District

On July 31, 2023, the District entered into a contract for construction, financing, operation, and maintenance of regional facilities (the "Contract") with Montgomery-Grimes Counties Municipal Utility District No. 146C (the "Master District") whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, recreational facilities, and road facilities to serve all districts located within the Master District's service area. The term of the Contract is 40 years.

The Master District has entered into a Wholesale Agreement for Water Service with MSEC Enterprises, Inc., under which MSEC will provide wholesale water supply to land within the Master District's service area.

Operating Reserve

The Contracts authorize the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the participating districts to provide the initial funding required to establish the reserve. The Master

District shall adjust the reserve as needed, not less than annually. As of February 28, 2026, the District has not established an operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections ("ESFCs") reserved to the District. As of February 28, 2026, the Master District has billed the District $829,025 for cost to operate and maintain the regional facilities.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing water, sewer, and drainage facilities needed to provide services to all participating districts in the service area and for road facilities and recreational facilities. The participating districts, including the District, shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts.

Note 10 – Risk Management

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

Note 11 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer's willingness to make future operating advances and to pay property taxes will directly affect the District's ability to meet its future obligations.

Required Supplementary Information

Montgomery-Grimes Counties Municipal Utility District No. 146D
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2026

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 139,100	$ 139,100	$ 104,222	$ (34,878)
Sewer service			120,205	120,205
Property taxes			362,634	362,634
Penalties and interest			6,074	6,074
Regional water authority fees			47,055	47,055
Tap connection and inspection	231,840	231,840	357,379	125,539
Miscellaneous			1,635	1,635
Investment earnings			425	425
Total Revenues	370,940	370,940	999,629	628,689
Expenditures				
Current service operations				
Purchased services	92,790	454,812	837,396	(382,584)
Professional fees	135,000	135,000	200,280	(65,280)
Contracted services	206,792	59,792	119,319	(59,527)
Repairs and maintenance	33,260	33,260	62,785	(29,525)
Administrative	26,800	26,050	12,964	13,086
Other	2,500	2,500		2,500
Capital outlay	72,600	72,600	128,553	(55,953)
Total Expenditures	569,742	784,014	1,361,297	(577,283)
Revenues Under Expenditures	(198,802)	(413,074)	(361,668)	51,406
Other Financing Sources				
Developer advances	199,000	415,000	415,000	
Net Change in Fund Balance	198	1,926	53,332	51,406
Fund Balance				
Beginning of the year	66,587	66,587	66,587	
End of the year	$ 66,785	$ 68,513	$ 119,919	$ 51,406

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated expenditures and developer advances.

(This page intentionally left blank)

Texas Supplementary Information

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

[X] Retail Water	[ ] Wholesale Water	[X] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[ ] Parks / Recreation	[ ] Fire Protection	[X] Roads	[ ] Security

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

[ ] Other (Specify): ______________________

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 20.00	10,000	N	$ 6.00	10,001	to	no limit
Wastewater:	$ 50.00	-0-	Y			to	
Surcharge:	$ 2.60	-0-	N	$ 2.60	-0-	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 45.95 Wastewater $ 50.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	255	254	x 1.0	254
1"	12	12	x 2.5	30
1.5"	3	3	x 5.0	15
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	273	272		323
Total Wastewater	263	262	x 1.0	262

See accompanying auditor's report.

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

Gallons pumped into system:	18,721,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	18,721,000	100.00%

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

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

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

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

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

City(ies) in which the District is located: ____________

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

Entirely [ ] Partly [ ] Not at all [X]

ETJs in which the District is located: ____________

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? ____________

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146D
TSI-2. General Fund Expenditures
For the Year Ended February 28, 2026

Purchased services	$ 837,396
Professional fees	
Legal	110,881
Audit	15,000
Engineering	74,399
	200,280
Contracted services	
Bookkeeping	11,124
Operator	96,147
Garbage collection	7,420
Tax assessor/collector	2,970
Appraisal district fees	1,658
	119,319
Repairs and maintenance	62,785
Administrative	
Directors fees	7,956
Printing and office supplies	1,307
Insurance	50
Other	3,651
	12,964
Capital outlay	128,553
Total expenditures	$ 1,361,297

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146D
TSI-4. Taxes Levied and Receivable
February 28, 2026

		Maintenance Taxes
Taxes Receivable, Beginning of Year		$ -
2025 Original Tax Levy		391,544
Adjustments		(417)
Adjusted Tax Levy		391,127
Tax collections:		
Current year		362,634
Taxes Receivable, End of Year		$ 28,493
Taxes Receivable, By Years		
2025		$ 28,493

	2025	2024
Property Valuations:		
Land	$ 28,526,611	$ 2,933,111
Exemptions	(2,451,483)	(2,812,204)
Total Property Valuations	$ 26,075,128	$ 120,907
Tax Rates per $100 Valuation:		
Maintenance tax rates	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 391,127	$ 1,814
Percentage of Taxes Collected to Taxes Levied **	92.72%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 7, 2023

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146D
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years

	Amounts		
	2026	2025	2024**
Revenues			
Water service	$ 104,222	$ 2,200	$ -
Sewer service	120,205	5,500	
Property taxes	362,634	1,814	
Penalties and interest	6,074	28	
Regional water authority fees	47,055	28	
Tap connection and inspection	357,379	128,200	
Miscellaneous	1,635		
Investment earnings	425		
Total Revenues	999,629	137,770	
Expenditures			
Current service operations			
Purchased services	837,396	21,903	
Professional fees	200,280	118,535	120,095
Contracted services	119,319	13,125	3,000
Repairs and maintenance	62,785		
Regional water authority fees		457	6,016
Administrative	12,964	13,552	
Other		775	
Capital outlay	128,553	60,725	
Total Expenditures	1,361,297	229,072	129,111
Revenues Under Expenditures	(361,668)	(91,302)	(129,111)
Other Financing Sources			
Developer advances	415,000	262,000	25,000
Net Change in Fund Balance	53,332	170,698	(104,111)
Fund Balance, Beginning of the year	66,587	(104,111)	
End of the year	$ 119,919	$ 66,587	$ (104,111)
Total Active Retail Water Connections	272	80	N/A
Total Active Retail Wastewater Connections	262	80	N/A

*Percentage is negligible
**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues		
2026	2025	2024**
10%	2%	-
12%	4%	-
36%	1%	-
1%	*	-
5%	*	-
36%	93%	-
*		-
*		-
100%	100%	-
84%	16%	-
20%	86%	-
12%	10%	-
6%		-
	*	-
1%	10%	-
	1%	-
13%	44%	-
136%	167%	-
(36%)	(67%)	-

Montgomery-Grimes Counties Municipal Utility District No. 146D
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2026

Complete District Mailing Address:	1300 Post Oak Boulevard, Suite 2400, Houston, TX 77056
District Business Telephone Number:	(713) 623-4531
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 13, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Joel Euresti	11/23 - 05/26	$ 1,989	$ 406	President
Taylor Dio	11/23 - 05/26	1,989	239	Vice President
Frank Fuller	11/23 - 05/26	1,768	361	Secretary
Christopher Casey	05/24 - 05/28	1,768	298	Assistant Secretary
Christopher Claffey	05/24 - 05/28	442	124	Assistant Secretary

Consultants		Amounts Paid		
Schwartz, Page & Harding L.L.P.	2023			Attorney
General legal fees		$ 110,619		
Municipal District Services, LLC	2024	354,304		Operator
Myrtle Cruz, Inc.	2023	11,129		Bookkeeper
Assessments of the Southwest, Inc.	2023	2,970		Tax Collector
Montgomery Central Appraisal District	Legislation	1,658		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2024			Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	2023	76,708		Engineer
TBG Partners	2023			Landscape Architect
McGrath & Co., PLLC	2025	15,000		Auditor
Robert W. Baird & Co., Inc.	2023			Financial Advisor

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

See accompanying auditor's report.