OFFICIAL STATEMENT DATED NOVEMBER 5, 2026

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

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS."

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

MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146B

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

$4,910,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

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

The $4,910,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are obligations of Montgomery-Grimes Counties Municipal Utility District No. 146B (the "District") payable from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied on all taxable property within the boundaries of the District. The Bonds are solely obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; or any entity other than the 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 December 1, 2026 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about December 8, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds 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. 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 District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source 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 when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry only form through DTC is expected on or about December 8, 2026.

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

$4,910,000 Unlimited Tax Road Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61383R (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61383R (b)
2028	$ 100,000	6.875%	3.700%	AA7	2040 (c)	$ 195,000	4.875%	4.950%	AN9
2029	105,000	6.875%	3.800%	AB5	2041 (c)	205,000	5.000%	5.020%	AP4
2030	110,000	6.875%	3.900%	AC3	2042 (c)	220,000	5.000%	5.070%	AQ2
2031	120,000	6.875%	3.950%	AD1	2043 (c)	230,000	5.000%	5.120%	AR0
2032 (c)	125,000	6.875%	4.000%	AE9	2044 (c)	245,000	5.125%	5.170%	AS8
2033 (c)	130,000	6.875%	4.050%	AF6	2045 (c)	260,000	5.125%	5.220%	AT6
2034 (c)	140,000	6.875%	4.100%	AG4	2046 (c)	275,000	5.250%	5.270%	AU3
2035 (c)	150,000	5.375%	4.250%	AH2	2047 (c)	290,000	5.250%	5.320%	AV1
2036 (c)	155,000	4.375%	4.400%	AJ8	2048 (c)	305,000	5.250%	5.370%	AW9
2037 (c)	165,000	4.500%	4.550%	AK5	2049 (c)	325,000	5.000%	5.420%	AX7
2038 (c)	175,000	4.625%	4.700%	AL3	2050 (c)	340,000	4.375%	5.520%	AY5
2039 (c)	185,000	4.750%	4.800%	AM1	2051 (c)	360,000	4.375%	5.570%	AZ2

(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 have been 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 September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 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

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District 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 District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent 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.

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APPENDIX A Financial Statements of the District

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.009386% of the par value thereof, which resulted in a net effective interest rate of 5.185508%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery 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 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 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 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 District and the Initial Purchaser. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the 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 District shall pay the expense of preparing the number of copies of this Official Statement agreed upon between the 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 District made applications for commitments to provide municipal bond guaranty insurance on the Bonds but did not qualify.

MUNICIPAL BOND RATING

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

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. 146B (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."
The Bonds	The $4,910,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are dated December 1, 2026, and mature on September 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 December 8, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds	The Bonds that mature on and after September 1, 2032, are subject to redemption at the option of the District, in whole or from time to time in part, on September 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	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; or any political subdivision or entity other than the District. See "THE BONDS – Source of Payment." The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and to pay debt service on bonds issued for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") or for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"); both such taxes are unlimited as to rate or amount.
Authority for Issuance	At an election held for the District on May 4, 2024, voters of the District authorized the District's issuance of $96,300,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System. The Bonds are issued pursuant to the terms and provisions of the Bond Order (herein defined); Article III, Section 52 of the Constitution of the State of Texas, House Bill No. 4153, as passed by the 84th legislature, Regular Session, of the State of Texas, effective September 1, 2015, Chapter 7906 of the Special District Local Laws Code (the "Act"), the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and the election in the District described above. See "THE BONDS — Authority for Issuance."
Payment Record	The Bonds represent the District's first issuance of bonded indebtedness.

Use of Proceeds of Bonds	Proceeds from the sale of the Bonds will be used to reimburse the Developer (defined herein) for a portion of the paving construction 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 pay eighteen (18) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	The District made applications for commitments to provide municipal bond guaranty insurance on the Bonds but did not qualify. See "MUNICIPAL BOND INSURANCE" above.
Municipal Bond Rating	The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the 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.
Engineer	LJA Engineering, Inc., Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description	Montgomery-Grimes Counties Municipal Utility District No. 146 ("MUD 146") was created in 2015 by the Act. Pursuant to the Act, on April 27, 2022, the Board of Directors of MUD 146 adopted an order dividing MUD 146 into two distinct districts, the District and Montgomery-Grimes Municipal Utility District No. 146A and thereby created the District. The creation of the District was confirmed at an election held within the District on May 4, 2024. The 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 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 DISTRICT." The District is located wholly located in Montgomery County, Texas. The District is approximately 45 miles northwest from the central business district of the City of Houston, Texas, near the intersection of FM1486 and State Highway 249. No portion of the District exists in the extraterritorial jurisdiction (the "ETJ") or corporate limits of any city. The District also lies within the boundaries of Magnolia Independent School District.
Development within the District	The District is being developed as the master-planned residential community known as Wildtree. Development in the District currently consists of approximately 71.80 acres (280 lots) as the single-family residential subdivisions of Wildtree, Section 1 and Sections 4-6. As of October 1, 2026, approximately 61 homes were complete (approximately 7 occupied, approximately 46 unoccupied, and 8 model homes), approximately 19 homes were under construction, and approximately 200 lots were developed and vacant. The remainder of the land within the District consists of approximately 3.97 acres for a recreation center, approximately 155.18 undevelopable acres, and approximately 178.42 acres that are available for additional development.
Developer	Shea Homes Houston, LLC, a Delaware limited liability company ("Shea" or the "Developer"), is the developer of land in the District and has developed

approximately 93 acres of residential land within the District. Shea currently owns approximately 178 remaining developable acres within the District and 153 vacant developed lots. Shea is a single purpose entity formed and capitalized for the purpose of developing the land they owned within the District. Shea is a thinly capitalized limited liability company whose assets primarily consist of the land they own in the District and is currently operating with minimal net revenues.

The Developer is a wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership ("Shea Homes"), consisting of J.F. Shea, G.P., a Delaware general partnership, as general partner and a number of limited partners that are comprised of entities and trusts that are under the common control of the Shea family members. Shea Homes, Inc., a Delaware corporation, is the parent company of the entities mentioned above. Shea Homes is one of the nation's largest privately owned homebuilders. See "THE DEVELOPER" and "STATUS OF DEVELOPMENT."

Homebuilders within the District..... The homebuilders active within the District are Shea Homes, Perry Homes, Toll Brothers, Coventry Homes, and Newmark Homes. Prices of new homes being constructed within the District range from approximately $299,990 to over $1,00,000 and range in size from approximately 1,400 to 5,000 square feet. See "STATUS OF DEVELOPMENT – Homebuilders Active Within the District."

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.

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2026 Taxable Assessed Valuation		$ 39,293,342	(a)
Estimated Taxable Assessed Valuation as of September 1, 2026		$ 60,211,204	(b)
Direct Debt:			
The Bonds	$ 4,910,000		
Total Direct Debt	$ 4,910,000		
Estimated Overlapping Debt	$ 2,604,145		(c)
Total Direct and Estimated Overlapping Debt	$ 7,514,145		
Direct Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		12.50 %	
As a Percentage of the Estimated Taxable Assessed Valuation as of September 1, 2026		8.15 %	
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2026 Taxable Assessed Valuation		19.12 %	
As a Percentage of the Estimated Taxable Assessed Valuation as of September 1, 2026		12.48 %	
Road Debt Service Fund Balance (as of Date of Delivery)	$ 385,350		(d)
General Operating Fund Balance (as of October 2, 2026)	$ 62,662		(e)
2026 Tax Rate per $100 of Taxable Assessed Valuation:			
Utility Debt Service	$ 0.00		
Road Debt Service	0.00		
Maintenance and Operations	1.50		
Total	$ 1.50		
Average Annual Debt Service Requirement (2027-2051)	$ 351,800		(f)
Maximum Annual Debt Service Requirement (2051)	$ 375,750		(f)
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2027-2051) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation		$0.95	
Based on the Estimated Taxable Assessed Valuation as of September 1, 2026		$0.62	
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2051) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation		$1.01	
Based on the Estimated Taxable Assessed Valuation as of September 1, 2026		$0.66	

(a) Represents the taxable assessed valuation as of January 1, 2026, of all taxable property in the District, as provided by the Montgomery Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the estimated taxable property located within the District as provided by the Montgomery Central Appraisal District as of September 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Represents eighteen (18) months of capitalized interest to be deposited into the District's Road Debt Service Fund upon closing and delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund. Money deposited into the Road Debt Service Fund can only be used to pay debt service on the District's unlimited tax road bonds, such as the Bonds.

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

(f) Requirement of debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

MONTGOMERY-GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146B

$4,910,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery-Grimes Counties Municipal Utility District No. 146B (the "District") of the $4,910,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the Bonds (the (the "Bond Order") adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds; an election held for the 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 III, Section 52 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.

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

Operating Funds

To date, the District has relied on advances from the Developer to fund its operations. The District's primary source of operating revenue is maintenance tax revenue and water and wastewater revenues from its residents. The District levied a 2026 maintenance tax of $1.50 per $100 of assessed valuation. The District's general fund balance as of October 2, 2026, was $62,662. The revenue produced from a $1.50 maintenance tax in 2026 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Economic Factors and Interest Rates

The rate of development of the District 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 District. The District cannot predict the pace or magnitude of any future development within the District. See "STATUS OF DEVELOPMENT."

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 District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 45 miles northwest from the central downtown business district of Houston, the success of development within the District and growth of the District 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 District and restrain the growth of the District's property tax base.

Competition

The demand for and construction of single-family homes within the District 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 District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

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 District 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 District. The District can give no assurance that building and marketing programs within the District by the Developer will be implemented or, if implemented, will be successful.

Dependence on Major Taxpayers and the Developer

There is a high concentration of ownership of assessed valuation in the District. The top ten principal taxpayers within the District represent $39,206,776, or approximately 99.78%, of the 2026 Taxable Assessed Valuation property within the District, which is $39,293,342, and represents ownership within the District as of January 1, 2026. The Developer represents $25,315,822 or approximately 64.43% of the 2026 Taxable Assessed Valuation. 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 District's debt service fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "RISK FACTORS – Tax Collection Limitations," "TAXING PROCEDURES – Levy and Collection of Taxes," and "APPENDIX A – Financial Statements of the District."

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 District 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 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 District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The 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 October 1, 2026, there were approximately 200 vacant developed lots within the District. The 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 "STATUS OF DEVELOPMENT."

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 District 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 District. 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 District. The 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 District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation is $39,293,342, and the Estimated Taxable Assessed Valuation as of September 1, 2026, is $60,211,204. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be $375,750 (2051) and the average annual debt service requirement on the Bonds will be $351,800 (2027-2051). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, a tax rate of $1.01 per $100 of assessed valuation at a 95% collection rate would be necessary to

pay the maximum annual debt service requirement on the Bonds, and a tax rate of $0.95 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Bonds. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of September 1, 2026, a tax rate of $0.66 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds, and a tax rate of $0.62 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Bonds. See "SELECTED FINANCIAL INFORMATION" and "TAX DATA – Tax Rate Calculations."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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 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 District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners themselves cannot foreclose on property within the District or sell property within the District 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 District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the 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

At an election held for the District on May 4, 2024, voters of the District authorized the District's issuance of $96,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); $209,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"); and $38,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"). The Bonds represent the District's first issuance of unlimited tax bonds issued for Road System purposes. After the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $91,390,000 for the purpose of acquiring or constructing the Road System; $209,000,000 for the purpose of acquiring or constructing the Utility System; and $38,650,000 for the purpose of acquiring or constructing the Park System in the District.

At such election held on May 4, 2024, voters of the District also authorized the District's issuance of the following: $96,300,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $209,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $38,650,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for acquiring or constructing the Park System. To date, the District has issued no refunding bonds from such voted authorizations.

In the Bond Order, the District reserves the right to issue the authorized but unissued bonds noted above and any additional bonds as may hereafter be approved by the voters of the District.

The District's issuance of bonds for the purpose of acquiring or constructing the Utility System and for acquiring or constructing the Park System is subject to approval by the TCEQ. Further, the principal amount of bonds issued to finance parks and

recreational facilities may not exceed 1% of the District's assessed value; however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of taxable property in the District.

According to the District's Engineer, following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately $29,702,000 for expenditures to construct the Utility System, Road System, and the Park System in the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Environmental Regulations

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and 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 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 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 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 District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system,

which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

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

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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Potential Impact of Natural Disaster

The District 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 District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

Marketability

The 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 District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the 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."

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

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

The 90th Texas Legislature

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

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, a copy of which is available from Bond Counsel upon payment of the cost of duplication therefor. 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 District.

Description

The Bonds will be dated December 1, 2026 with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the date of delivery of the Bonds to the Initial Purchaser(s) thereof, and thereafter, from the most recent Interest Payment Date. The Bonds are fully-registered bonds maturing on September 1 in each of the years and in the amounts 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 District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for 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 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 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 District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 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 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 replacement of the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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 District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Redemption of the Bonds

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 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 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 an election held for the District on May 4, 2024, voters of the District authorized the District's issuance of $96,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System. The Bonds represent the District's first series of unlimited tax bonds to be issued for the purpose of constructing or acquiring the Road System, and following the issuance of the Bonds, $91,390,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued.

The Bonds are issued pursuant to: (i) the Bond Order; (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) the Act, and (iv) an election held for the District as described above.

At such election held for the District on May 4, 2024, voters of the District also authorized the District's issuance of the following: $209,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $209,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $96,300,000 principal amount of unlimited tax bonds for the purpose refunding bonds issued by the District for the Road System; $38,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System; and $38,650,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System. To date, the District has issued no bonds from such voted authorizations, and all principal amount of bonds from such

voted authorizations remains authorized but unissued. See "Financing Road Facilities," "Financing Recreational Facilities," and "Issuance of Additional Debt" below.

Issuance of Additional Debt

At an election held within the District on May 4, 2024, voters of the District authorized the District's issuance of the following: $96,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $96,300,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $209,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $209,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $38,650,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing the Park System; and $38,650,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System.

The Bonds represent the District's first issuance of unlimited tax bonds for the purpose of acquiring or constructing the Road System. Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $91,390,000 for the purpose of acquiring or constructing the Road System; $209,000,000 for the purpose of acquiring or constructing the Utility System; and $38,650,000 for the purpose of acquiring or constructing the Park System in the District. All of the District's refunding authorization remains authorized but unissued.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District 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 of the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds, if any, by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing for Road Facilities

Pursuant to the provisions of the Texas Constitution and the Act, the District is authorized to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. At an election held for the District on May 4, 2024, voters of the District authorized a total of $96,300,000 unlimited tax bonds for financing and constructing the Road System. After the issuance of the Bonds, the District will have issued $4,910,000 from said authorization and could issue additional amounts. See "—Issuance of Additional Debt" herein and "RISK FACTORS — Future Debt." Issuance of additional bonds for the Road System may dilute the security for the Bonds.

Financing for Recreational Facilities

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

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

At the election held for the District on May 4, 2024, voters of the District authorized a total of $38,650,000 in unlimited tax bonds for the purpose of acquiring or constructing the Park System and could authorize additional amounts. Issuance of unlimited tax bonds for the Park System could dilute the investment security for the Bonds.

Source and Security for Payment

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS."

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Montgomery County, Texas; or any political subdivision or any entity other than the District.

Funds

The Bond Order establishes and creates the District's Bond Fund ("Bond Fund") and the District's Construction Fund ("Construction Fund"). An amount equal to eighteen (18) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund upon closing of the Bonds. All remaining proceeds of the Bonds will be deposited in the Construction Fund.

The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond 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 taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If **each** district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and 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 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 of America, including obligations that are unconditionally guaranteed by the United States of America, (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 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 District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Registered Owners' Remedies

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

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for a portion of the road construction and related costs as shown below. Additionally, proceeds from the sale of the Bonds will also be used to pay eighteen (18) months of capitalized interest, developer 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 District Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

CONSTRUCTION COSTS		
Road Construction and Engineering Related Costs	$	3,789,096
TOTAL CONSTRUCTION COSTS	**$**	**3,789,096**
NON-CONSTRUCTION COSTS		
Bond Discount	$	146,839
Capitalized Interest		385,350
Developer Interest		250,610
Contingency (a)		38,599
TOTAL NON-CONSTRUCTION COSTS	**$**	**821,398**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	294,596
State Regulatory Fees		4,910
TOTAL ISSUANCE COSTS AND FEES	**$**	**299,506**
TOTAL BOND ISSUE REQUIREMENT	**$**	**4,910,000**

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

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THE DISTRICT

General

Montgomery-Grimes Municipal Utility District No. 146 ("MUD 146") was created in 2015 by the Act. Pursuant to 7906.106 of the Act, on April 27, 2022, the Board of Directors of MUD 146 adopted an order dividing MUD 146 into two distinct districts, the District and Montgomery-Grimes Municipal Utility District No. 146A and thereby created the District. The creation of the District was confirmed at an election held for the District on May 4, 2024.

The District operates pursuant to the Act and 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.

The District does not lie within the extraterritorial jurisdiction or corporate boundaries of any municipality. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

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

The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE UTILITY SYSTEM."

Management of the District

The 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 District. All of the directors own property in the 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	Position	Term Expires May
Alan L'Roy	President	2030
Joseph Guidry	Vice President	2028
Kenneth M. Richardson	Secretary	2028
Jesse J. Vela	Assistant Secretary	2030
Susan White	Assistant Secretary	2028

Investment Policy

The 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 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 District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the 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 District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the 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 District is Assessments of the Southwest, Inc.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual financial statements are filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended May 31, 2026, which audited financial statements are included herein under "APPENDIX A."

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

Disclosure Counsel: The 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 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 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.

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General Fund Operating Statement

The following sets forth in condensed form the results of the District's general operating fund for the District's fiscal years ended 2022 through 2026, prepared by the Financial Advisor for inclusion herein based on information obtained from the District's audited financial statements for the fiscal year ended May 31, 2026, reference to which is made for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended				
	05/31/26	05/31/25 (a)	05/31/24 (a)	05/31/23 (a)	05/31/22 (a)
Revenues					
Water Service	$ 16,731	$ -	$ -	$ -	$ -
Sewer Service	18,902	-	-	-	-
Property taxes	34,484	-	-	-	-
Penalty and interest	1,049	-	-	-	-
Groundwater pumpage fees	5,846	-	-	-	-
Tap connection &iInspection Fees	276,700	-	-	-	-
Miscellaneous	10,295	-	-	2	-
Investment earnings	3,854	-	-	-	-
Total Revenues	$ 367,861	$ -	$ -	$ 2	$ -
Expenditures					
Current Service Operations					
Purchased Services	$ 73,127	$ 8,788	$ -	$ -	$ -
Professional Fees	94,967	83,330	82,037	-	-
Contracted Services	60,368	18,058	13,702	3,710	837
Repairs and Maintenance	67,114	-	-	-	-
Administrative	47,992	49,679	34,647	3,384	3,051
Other	1,965	3,811	1,438	189	18
Capital Outlay	104,687	-	-	-	-
Total Expenditures	$ 450,220	$ 163,666	$ 131,824		$ 3,906
Revenues Under Expenditures	$ (82,359)	$ (163,666)	$ (131,824)	$ (7,281)	$ (3,906)
Other Financing Sources					
Developer Advances	$ 143,270	$ 181,300	$ 172,510	$ 15,000	$ -
Net Change in Fund Balance	$ 60,911	$ 17,634	$ 40,686	$ 7,719	$ (3,906)
Fund Balance, Beginning of the year	$ 62,133	$ 44,499	$ 3,813	$ (3,906)	$ -
Fund Balance End of the year	$ 123,044	$ 62,133	$ 44,499	$ 3,813	$ (3,906)

(a) Unaudited.

STATUS OF DEVELOPMENT

Status of Development

The District is being developed as the master-planned residential community known as Wildtree. Development in the District currently consists of approximately 71.80 acres (280 lots) as the single-family residential subdivisions of Wildtree, Section 1 and Sections 4-6. As of October 1, 2026, approximately 61 homes were complete (approximately 7 occupied, approximately 46 unoccupied, and 8 model homes), approximately 19 homes were under construction, and approximately 200 lots were developed and vacant. The remainder of the land within the District consists of approximately 3.97 acres for a recreation center, approximately 155.18 undevelopable acres, and approximately 178.42 acres that are available for additional development.

The current or planned use for the balance of the land that is located within the District is shown in the table below.

Wildtree	Section Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Wildtree Section 1	6.56	11	8	0	3
Wildtree Section 4	19.76	87	22	9	56
Wildtree Section 5	25.79	79	21	6	52
Wildtree Section 6	19.69	103	10	4	89
Total Residential Developed	71.80	280	61	19	200
Recreation center	3.97				
Undevelopable	155.18				
Remaining Developable	178.42				
District Total Acreage	409.37				

Homebuilders within the District

The homebuilders active within the District are Shea Homes, Perry Homes, Toll Brothers, Coventry Homes, and Newmark Homes. Prices of new homes being constructed within the District range from approximately $299,990 to over $1,00,000 and range in size from approximately 1,400 to 5,000 square feet.

THE DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District 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

Shea Homes Houston, LLC, a Delaware limited liability company ("Shea" or the "Developer"), is the developer of land in the District and has developed approximately 93 acres of residential land within the District. Shea currently owns approximately 178 remaining developable acres within the District and 153 vacant developed lots. Shea is a single purpose entity formed and capitalized for the purpose of developing the land they owned within the District. Shea is a thinly capitalized limited liability company whose assets primarily consist of the land they own in the District and is currently operating with minimal net revenues. The Developer is a wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership ("Shea Homes"), consisting of J.F. Shea, G.P., a Delaware general partnership, as general partner and a number of limited partners that are comprised of entities and trusts that are under the common control of the Shea family members. Shea Homes, Inc., a Delaware corporation, is the parent company of the entities mentioned above. Shea Homes is one of the nation's largest privately owned homebuilders.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(October 2026)













DISTRICT DEBT

(UNAUDITED)

2026 Taxable Assessed Valuation		$ 39,293,342	(a)
Estimated Taxable Assessed Valuation as of September 1, 2026		$ 60,211,204	(b)
Direct Debt:			
The Bonds	$ 4,910,000		
Total Direct Debt	$ 4,910,000		
Estimated Overlapping Debt	$ 2,604,145		(c)
Total Direct and Estimated Overlapping Debt	$ 7,514,145		
Direct Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		12.50 %	
As a Percentage of the Estimated Taxable Assessed Valuation as of September 1, 2026		8.15 %	
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2026 Taxable Assessed Valuation		19.12 %	
As a Percentage of the Estimated Taxable Assessed Valuation as of September 1, 2026		12.48 %	
Road Debt Service Fund Balance (as of Date of Delivery)		$ 385,350	(d)
General Operating Fund Balance (as of October 2, 2026)		$ 62,662	(e)
2026 Tax Rate per $100 of Taxable Assessed Valuation:			
Utility Debt Service	$ 0.00		
Road Debt Service	0.00		
Maintenance and Operations	1.50		
Total	$ 1.50		
Average Annual Debt Service Requirement (2027-2051)		$ 351,800	(f)
Maximum Annual Debt Service Requirement (2051)		$ 375,750	(f)
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2027-2051) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation		$0.95	
Based on the Estimated Taxable Assessed Valuation as of September 1, 2026		$0.62	
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2051) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation		$1.01	
Based on the Estimated Taxable Assessed Valuation as of September 1, 2026		$0.66	

(a) Represents the taxable assessed valuation as of January 1, 2026, of all taxable property in the District, as provided by the Montgomery Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Represents the estimated taxable property located within the District as provided by the Montgomery Central Appraisal District as of September 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Includes eighteen (18) months of capitalized interest to be deposited into the District's Road Debt Service Fund upon closing and delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund. Money deposited into the Road Debt Service Fund can only be used to pay debt service on the District's unlimited tax road bonds, such as the Bonds.

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

(f) Requirement of debt service on the Bonds. See "Debt Service Requirement Schedule" herein.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds 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 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	Outstanding Debt as of September 30, 2026	Percent	Overlapping Amount
Montgomery County	$ 535,450,000	0.04%	$ 215,055
Montgomery County Hospital District	-	-	-
Magnolia Independent School District	703,170,000	0.33%	2,350,765
Lone Star College System	336,455,000	0.01%	38,324
Montgomery County Emergency Service District No. 10	-		-
Total Estimated Overlapping Debt			$ 2,604,145
The District			$ 4,910,000 (a)
Total Direct & Estimated Overlapping			$ 7,514,145

(a) Includes the Bonds.

Debt Ratios

Ratios of Direct Debt (a):		
As a percentage of the 2026 Certified Taxable Assessed Valuation	12.50	%
As a percentage of the Estimated Taxable Assessed Valuation as of September 1, 2026	8.15	%
Ratios of Direct and Estimated Overlapping Debt (a):		
As a percentage of the 2026 Certified Taxable Assessed Valuation	19.12	%
As a percentage of the Estimated Taxable Assessed Valuation as of September 1, 2026	12.48	%

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Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirement on the Bonds. Totals may not sum due to rounding.

Calendar Year	The Bonds		
	Principal	Interest	Debt Service
2027	$ -	$ 187,680	$ 187,680
2028	100,000	256,900	356,900
2029	105,000	250,025	355,025
2030	110,000	242,806	352,806
2031	120,000	235,244	355,244
2032	125,000	226,994	351,994
2033	130,000	218,400	348,400
2034	140,000	209,463	349,463
2035	150,000	199,838	349,838
2036	155,000	191,775	346,775
2037	165,000	184,994	349,994
2038	175,000	177,569	352,569
2039	185,000	169,475	354,475
2040	195,000	160,688	355,688
2041	205,000	151,181	356,181
2042	220,000	140,931	360,931
2043	230,000	129,931	359,931
2044	245,000	118,431	363,431
2045	260,000	105,875	365,875
2046	275,000	92,550	367,550
2047	290,000	78,113	368,113
2048	305,000	62,888	367,888
2049	325,000	46,875	371,875
2050	340,000	30,625	370,625
2051	360,000	15,750	375,750
Total	$ 4,910,000	$ 3,884,998	$ 8,794,998

Average Annual Debt Service Requirement (2027–2051) $351,800

Maximum Annual Debt Service Requirement (2051) $375,750

TAXING PROCEDURES

Property Tax Code and County Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of 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, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after

public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

General Residential Homestead Exemption: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2026 tax year, the District has not granted a general residential homestead exemption.

Tax Abatement

Montgomery County may designate all or part of the District within its boundaries a reinvestment zone. Thereafter, Montgomery County and the District, 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 District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms with a comprehensive plan. At this time, Montgomery County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based 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 District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

District and Taxpayer Remedies

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of 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 District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2026, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 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 the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the 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 the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Maintenance and Operations Tax Rate

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

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

in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2026 tax year, the Board determined that the District's status is that of a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds that may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds, and any additional bonds payable from ad valorem taxes. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and its available funds. The District also has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed $1.50 per $100 of assessed valuation, for operation and maintenance purposes. In 2026, the Board levied a total tax rate of $1.50 per $100 of assessed valuation. See "Tax Rate Distribution" herein.

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in the Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "RISK FACTORS" and "THE BONDS").

The actual tax rate will be determined from year to year as a function of the District's tax base, its debt service requirements, and its available funds.

Maintenance and Operations Tax

The District 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 District's electors. The District 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 taxes levied for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See "Tax Rate Distribution" herein.

Tax Rate Limitation

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

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on 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 the District 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. See "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 2026 taxes per $100 of assessed valuation levied by all such taxing jurisdictions and the District's 2026 tax rate. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2026 Tax Rate Per $100 of Assessed Value
The District	$ 1.500000
Montgomery County	0.386000
Montgomery County Hospital District	0.045800
Magnolia Independent School District	0.932500
Lone Star College System	0.105800
Montgomery County Emergency Service District No. 10	0.096300
Total 2026 Tax Rate	$ 3.066400

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 District's tax base occurs beyond the 2026 Taxable Assessed Valuation ($39,293,342) or the Estimated Taxable Assessed Valuation as of September 1, 2026 ($60,211,204). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2027-2051) $351,800
Tax Rate of $0.95 on the 2025 Gross Certified Assessed Valuation produces $354,622
Tax Rate of $0.62 on the Estimated Gross Assessed Valuation as of September 1, 2026 produces $354,644

Maximum Annual Debt Service Requirement (2051) $375,750
Tax Rate of $1.01 on the 2025 Gross Certified Assessed Valuation produces $377,020
Tax Rate of $0.66 on the Estimated Gross Assessed Valuation as of September 1, 2026 produces $377,524

Assessed Valuation Summary

The following table illustrates the District's total taxable assessed value in the 2025 and 2026 tax years by type of property.

Type of Property	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation
Land	$ 26,421,160	$ 2,215,902
Improvements	12,872,182	-
Personal Property	493,871	83,026
Exemptions	(493,871)	(-)
Total	$ 39,293,342	$ 2,298,928

Tax Rate Distribution

	2026	2025
Debt Service	$ 0.000	$ 0.000
Maintenance and Operations	$ 1.500	$ 1.500
Total	$ 1.500	$ 1.500

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections at 09/30/2026
2025	$ 2,298,928	$1.50	$ 34,484	100.00%	2026	100.00%
2026 (a)	39,293,342	1.50	589,400	(a)	2027	(a)

(a) In process of collection. 2026 taxes are due by January 31, 2027.

Principal Taxpayers

The following are the principal taxpayers of the District's certified taxable assessed values for the 2026 tax year.

Taxpayer	Type of Property	Certified Assessed Valuation 2026 Tax Roll	Percentage of Assessed Valuation 2026 Tax Roll
Shea Homes Houston LLC (a)	Land	$ 25,315,822	64.43%
DFH Coventry LLC (b)	Vacant	4,690,118	11.94%
Toll Southwest LLC (b)	Inventory	2,842,148	7.23%
Newmark Homes Houston LLC (b)	Vacant	2,577,333	6.56%
Perry Homes LLC (b)	Vacant	1,615,854	4.11%
Mcguyer Land Holdings LLC	Vacant	760,000	1.93%
Homeowner	Single-Family	600,148	1.53%
Homeowner	Single-Family	456,464	1.16%
Homeowner	Single-Family	248,889	0.63%
Homeowner	Single-Family	100,000	0.25%
Total		$ 39,206,776	
% of Respective Tax Roll			99.78%

(a) See "THE DEVELOPER - Developer."

(b) See "STATUS OF DEVELOPMENT – Homebuilders Within the District."

THE UTILITY SYSTEM

Regulation

According to the Engineer, the System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, and the Montgomery County Drainage District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply Source and Facilities

The District currently receives water service through a wholesale agreement with MSEC Enterprises, Inc., an investor-owned utility serving Grimes and Montgomery Counties. Under the agreement, MSEC will continue to provide service until the District reaches 100 connections. The District anticipates completion of Water Plant No.1 Phase 1 by the end of 2026. The District's water facilities include two (2) 15,000 gallon pressure tanks, two (2) 165,464 gallon ground storage tanks and four (4) 750 gallon per minute ("gpm") booster pumps. The District's water supply source and facilities are sufficient to serve 1,583 Equivalent Single-Family Connections (ESFCs).

Wastewater Treatment and Conveyance System

The District completed construction of a 0.09 million gallons per day ("MGD") Interim Wastewater Treatment Plant (the "WWTP"). The District's WWTP Ph. 1 is under construction and is estimated to be completed the second quarter of 2027. At completion of the first phase, it will treat 0.15 million gallons per day. According to the Engineer and based on current flow rates, the District's current wastewater treatment facilities are capable of serving 600 ESFCs, which is sufficient to serve the completed single-family homes and homes under construction currently in the District.

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" (or 1% chance of probable inundation) 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.

Approximately 2.20 acres within the District are located in the 100-year flood plain. The remaining area within the flood plain is not considered to be developable.

National Weather Service Atlas 14 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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

THE ROAD SYSTEM

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within Montgomery County and surrounding areas. The major thoroughfares and collectors serving the District include FM 1486, Wildtree Creek South and Wildtree Creek North. The District will finance, design and construct the Road System in phases as development progresses. The Road System is anticipated to be maintained by Montgomery County; however, the District makes no representation that the District will not be responsible for road maintenance.

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the

Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

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

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

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

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

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

The initial public offering price to be paid for certain maturities of the Bonds is 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 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 District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the SEC Rule 15c2-12(d)(2) exemption from the SEC Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District does not have more than $10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to the payment of the Bonds. In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

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

In addition, the District has agreed to provide information with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the Bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement in "APPENDIX A," and with respect to the Developer, is found in "TAX DATA – Principal Taxpayers." The District will update and provide this information within six (6) months after the end of each of the fiscal years ending in or after 2027. The District will provide the updated information to EMMA.

The District will provide the updated information to the MSRB through its EMMA system. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 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 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 District and the Participants may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

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

Availability of Information from EMMA

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

Limitations and Amendments

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

The 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 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 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 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 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 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 District's records, the 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 District's financial statements as of May 31, 2026, were audited by McGrath & Co., PLLC and are attached hereto under "APPENDIX A." McGrath & Co., PLLC has consented to the publication of such financial statements herein.

Experts

The information contained in the Official Statement relating to engineering and to the description of the District facilities, and, in particular, that engineering information included under "STATUS OF DEVELOPMENT" and "THE UTILITY SYSTEM" and "THE ROAD SYSTEM," has been provided by the 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 "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 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 District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this Official Statement, the 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 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 District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notify the 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 District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the 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 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. 146B as of the date shown on the cover page hereof.

/s/ Alan L'Roy
President, Board of Directors
Montgomery-Grimes Counties Municipal Utility District No. 146B

ATTEST:

/s/ Kenneth M. Richardson
Secretary, Board of Directors
Montgomery-Grimes Counties Municipal Utility District No. 146B

APPENDIX A

Financial Statements of the District

MONTGOMERY – GRIMES COUNTIES MUNICIPAL UTILITY DISTRICT NO. 146B

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2026

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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. 146B
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. 146B (the "District"), as of and for the year ended May 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Montgomery-Grimes Counties Municipal Utility District No. 146B, as of May 31, 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.



Houston, Texas
October 2, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Montgomery-Grimes Counties Municipal Utility District No. 146B (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 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 May 31, 2026, was negative $5,702,544. 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 May 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 214,570	$ 82,571
Capital assets	13,813,528	597,232
Total assets	14,028,098	679,803
Current liabilities	91,526	20,438
Long-term liabilities	19,639,116	966,042
Total liabilities	19,730,642	986,480
Net position		
Net investment in capital assets	(237,859)	
Unrestricted	(5,464,685)	(306,677)
Total net position	$ (5,702,544)	$ (306,677)

The total net position of the District decreased during the current fiscal year by $5,395,867. A comparative summary of the District's *Statement of Activities* for the current fiscal year and prior fiscal year (unaudited) is as follows:

	2026	2025
Revenues		
Water and sewer service	$ 35,633	$ -
Property taxes, penalties and interest	35,533	
Groundwater pumpage fees	5,846	
Tap connection and inspection	276,700	
Other	14,149	
Total revenues	367,861	
Expenses		
Current service operations	345,533	163,666
Depreciation	314,766	
Total expenses	660,299	163,666
Change in net position before other items	(292,438)	(163,666)
Other items		
Transfers to other governments	(5,103,429)	
Change in net position	(5,395,867)	(163,666)
Net position, beginning of year	(306,677)	(143,011)
Net position, end of year	$ (5,702,544)	$ (306,677)

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund, as of May 31, 2026, was $123,044. A comparative summary of the General Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 214,570	$ 82,571
Total liabilities	$ 91,526	$ 20,438
Total fund balance	123,044	62,133
Total liabilities and fund balance	$ 214,570	$ 82,571

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

	2026	2025
Total revenues	$ 367,861	$ -
Total expenditures	(450,220)	(163,666)
Revenues under expenditures	(82,359)	(163,666)
Other changes in fund balance	143,270	181,300
Net change in fund balance	$ 60,911	$ 17,634

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. 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. The District levied its first maintenance tax during the current fiscal year.
- Water, sewer, and groundwater pumpage 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 District's developer 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 revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $60,911 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 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 May 31, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 597,232	$ 597,232
Capital assets being depreciated		
Infrastructure	13,317,437	
Other facilities	213,625	
	13,531,062	
Less accumulated depreciation		
Infrastructure	(304,085)	
Other facilities	(10,681)	
	(314,766)	
Depreciable capital assets, net	13,216,296	
Capital assets, net	$ 13,813,528	$ 597,232

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

- Wildtree Development – clearing and grubbing
- Wildtree Sections 1, 4, 5, and 6 – utilities
- Wildtree Phase 1 – mass grading and drainage
- Wildtree Wastewater Treatment Plant Phase 1 – access road
- Water meters

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 May 31, 2026, capital assets in the amount of $5,103,429 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of May 31, 2026, the District owes approximately $19,639,116 to the developer for completed projects and operating 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 $17,220,000 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 May 31, 2026, the District had $209,000,000 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 $209,000,000 for the refunding of such bonds; $38,650,000 for parks and recreational facilities and $38,650,000 for the refunding of such bonds; and $96,300,000 for road improvements and $96,300,000 for the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $36,994,000 for the 2026 tax year from $2,298,928 to $39,293,342, based on certified values. This increase was primarily due to new construction in the District. For the 2026 tax year, the District has levied a maintenance tax rate of $1.50 per $100 of assessed value, all of which will be allocated for maintenance and operations. This is the same rate levied for the 2025 tax year.

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 and water/sewer services 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	$ 367,861	$ 609,033
Total expenditures	(450,220)	(923,033)
Revenues under expenditures	(82,359)	(314,000)
Other changes in fund balance	143,270	314,000
Net change in fund balance	60,911	
Beginning fund balance	62,133	123,044
Ending fund balance	$ 123,044	$ 123,044

Basic Financial Statements

Montgomery-Grimes Counties Municipal Utility District No. 146B
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2026

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	$ 70,950	$ -	$ 70,950
Cash held with fiscal agent	34,484		34,484
Investments	87,083		87,083
Customer service receivables	14,463		14,463
Prepaid items	2,790		2,790
Other receivables	4,800		4,800
Capital assets not being depreciated		597,232	597,232
Capital assets, net		13,216,296	13,216,296
Total Assets	$ 214,570	13,813,528	14,028,098
Liabilities			
Accounts payable	$ 59,525		59,525
Other payables	351		351
Customer deposits	25,150		25,150
Unearned revenue	6,500		6,500
Due to developer		19,639,116	19,639,116
Total Liabilities	91,526	19,639,116	19,730,642
Fund Balances/Net Position			
Fund Balances			
Nonspendable	2,790	(2,790)	
Unassigned	120,254	(120,254)	
Total Fund Balances	123,044	(123,044)	
Total Liabilities and Fund Balance	$ 214,570		
Net Position			
Net investment in capital assets		(237,859)	(237,859)
Unrestricted		(5,464,685)	(5,464,685)
Total Net Position		$ (5,702,544)	$ (5,702,544)

See notes to basic financial statements.

Montgomery-Grimes Counties Municipal Utility District No. 146B
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended May 31, 2026

	General Fund	Adjustments	Statement of Activities
Revenues			
Water service	$ 16,731	$ -	$ 16,731
Sewer service	18,902		18,902
Property taxes	34,484		34,484
Penalties and interest	1,049		1,049
Groundwater pumpage fees	5,846		5,846
Tap connection and inspection	276,700		276,700
Miscellaneous	10,295		10,295
Investment earnings	3,854		3,854
Total Revenues	367,861		367,861
Expenditures/Expenses			
Current service operations			
Purchased services	73,127		73,127
Professional fees	94,967		94,967
Contracted services	60,368		60,368
Repairs and maintenance	67,114		67,114
Administrative	47,992		47,992
Other	1,965		1,965
Capital outlay	104,687	(104,687)	
Depreciation		314,766	314,766
Total Expenditures/Expenses	450,220	210,079	660,299
Revenues Under Expenditures/Expenses	(82,359)	(210,079)	(292,438)
Other Financing Sources			
Developer advances	143,270	(143,270)	
Other Items			
Transfers to other governments		(5,103,429)	(5,103,429)
Net Change in Fund Balances	60,911	(60,911)	
Change in Net Position		(5,395,867)	(5,395,867)
Fund Balance/Net Position			
Beginning of the year	62,133	(368,810)	(306,677)
End of the year	$ 123,044	$ (5,825,588)	$ (5,702,544)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery-Grimes Counties Municipal Utility District No. 146B (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 and Montgomery-Grimes Counties Municipal Utility District No. 146B (the "District"). The District operates in accordance with Section 59, Article XVI, Texas Constitution and Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on April 27, 2022.

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. 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 revenue sources are property taxes, water and sewer service 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 sixty days of the end of the current fiscal period. Revenues susceptible to accrual include interest earned on investments and income from District operations. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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 May 31, 2026, an allowance for uncollectible accounts was not considered necessary.

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 as follows:

Assets	Useful Life
Infrastructure	10-45 years
Other facilities	20 years

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's nonspendable fund balance consists of prepaid items.

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 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		$ 123,044
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 14,128,294	
Less accumulated depreciation	(314,766)	
		13,813,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The differences consist of due to developer.		(19,639,116)
Total net position - governmental activities		$ (5,702,544)

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		$ 60,911
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	$ 104,687	
Depreciation expense	(314,766)	
Transfers to other governments	(5,103,429)	
		(5,313,508)
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 developer advances.		(143,270)
Change in net position of governmental activities		$ (5,395,867)

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.

As of May 31, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	$ 87,083	AAAm	51 days

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance

on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2026, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 597,232	$ -	$ 597,232
Capital assets being depreciated			
Infrastructure		13,317,437	13,317,437
Other facilities		213,625	213,625
		13,531,062	13,531,062
Less accumulated depreciation			
Infrastructure		(304,085)	(304,085)
Other facilities		(10,681)	(10,681)
		(314,766)	(314,766)
Subtotal depreciable capital assets, net		13,216,296	13,216,296
Capital assets, net	$ 597,232	$ 13,216,296	$ 13,813,528

Depreciation expense for the current fiscal year was $314,766.

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, 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 developer during the fiscal year are as follows:

Due to developer, beginning of year	$	966,042
Developer funded construction		18,529,804
Operating advances from developer		143,270
Due to developer, end of year	$	19,639,116

In addition, the District will owe the developer approximately $17,220,000, 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 *
Wildtree Sections 10 and 11 - clearing and grubbing Phase 1	$	420,000
Wildtree Water Supply Plant Phase 1		4,980,000
Wildtree Lift Station No. 1 Phase 1		950,000
Wildtree Wastewater Treatment Plant Phase 1		3,290,000
Wildtree Section 1 - parks and reserves		840,000
Wildtree Sections 4, 5, and 6 - parks and reserves		740,000
Wildtree Recreation Center		6,000,000
	$	17,220,000

* Rounded to the nearest $10,000

Note 6 – Long-Term Debt

At May 31, 2026, the District had authorized but unissued bonds in the amount of $209,000,000 for water, sanitary sewer and drainage systems within the District and $209,000,000 for the refunding of such bonds; $38,650,000 for parks and recreational facilities and $38,650,000 for the refunding of such bonds; and $96,300,000 for road improvements and $96,300,000 for the refunding of such bonds.

Note 7 – Property Taxes

On May 4, 2024, 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 $34,484 on the adjusted taxable value of $2,298,928.

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 May 31, 2026, the District recorded transfers to other governments in the amount of $5,103,429 for road facilities constructed by a developer within the District.

Note 9 – Wholesale Water Service Agreement

On September 10, 2024, the District, Shea Homes Houston, LLC ("Shea Homes") and MSEC Enterprises, Inc. ("MSEC") entered into a Wholesale Water Service Agreement (the "Agreement") for the purchase of wholesale water service necessary to serve 100 connections within the 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 Agreement has an initial term of one year, after which it will automatically renew for one-year periods unless terminated by both the District and Shea Homes.

The District is required to pay for wholesale water service based on rates set by MSEC, which consist of a capacity charge and a volume charge. In addition to the wholesale water service rates, the District is responsible for all applicable charges imposed by the San Jacinto River Authority and the Lone Star Groundwater Conservation District for water produced within their jurisdictions. During the current fiscal year, the District has incurred $73,127 in purchased services.

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 – Concentration Risk

The District is currently dependent on its developer to finance the construction of infrastructure and to advance funds necessary to finance operating and administrative expenditures. The developer also owns a significant portion of the undeveloped property within the District and is responsible for development of the tax base that will support future operations and debt service. As a result, the District is exposed to a concentration risk related to the developer. If the developer were unable to continue development activities or provide financial support, the District's ability to fund operations and complete infrastructure projects could be adversely affected.

Note 12 – Subsequent Event

On October 2, 2026, the District approved a preliminary official statement and notice of sale for its Series 2026 Unlimited Tax Road Bonds in the amount of $4,910,000. The acceptance of bids and award of sale is scheduled for November 6, 2026. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in "Due to developer."

Required Supplementary Information

Montgomery-Grimes Counties Municipal Utility District No. 146B
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2026

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ -	$ 13,100	$ 16,731	$ 3,631
Sewer service		23,200	18,902	(4,298)
Property taxes		31,541	34,484	2,943
Penalties and interest			1,049	1,049
Groundwater pumpage fees		12,389	5,846	(6,543)
Tap connection and inspection		312,000	276,700	(35,300)
Miscellaneous		570	10,295	9,725
Investment earnings			3,854	3,854
Total Revenues		392,800	367,861	(24,939)
Expenditures				
Current service operations				
Purchased services	37,800	271,824	73,127	198,697
Professional fees	100,000	100,000	94,967	5,033
Contracted services	22,000	92,054	60,368	31,686
Repairs and maintenance		27,000	67,114	(40,114)
Administrative	33,646	33,646	47,992	(14,346)
Other	5,115	10,275	1,965	8,310
Capital outlay		104,000	104,687	(687)
Total Expenditures	198,561	638,799	450,220	188,579
Revenues Under Expenditures	(198,561)	(245,999)	(82,359)	163,640
Other Financing Sources				
Developer advances	198,561	245,999	143,270	(102,729)
Net Change in Fund Balance			60,911	60,911
Fund Balance				
Beginning of the year	62,133	62,133	62,133	
End of the year	$ 62,133	$ 62,133	$ 123,044	$ 60,911

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 fiscal year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Montgomery-Grimes Counties Municipal Utility District No. 146B
TSI-1. Services and Rates
May 31, 2026

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:	$ 25.00	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 $ 50.95 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"	60	60	x 1.0	60
1"	22	22	x 2.5	55
1.5"			x 5.0	
2"	4	4	x 8.0	32
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	86	86		147
Total Wastewater	81	81	x 1.0	81

See accompanying auditor's report.

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

*Gallons purchased:	4,420,000	Water Accountability Ratio: (Gallons billed / Gallons purchased)
Gallons billed to customers:	4,420,000	100.00%

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

   The District does not have Debt Service standby fees.

   The District does not have Operation and Maintenance standby fees.

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?

*Gallons purchased from MSEC Enterprises, Inc.

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146B
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2026

Purchased services	$	73,127
Professional fees		
Legal		87,132
Engineering		7,835
		94,967
Contracted services		
Bookkeeping		34,205
Operator		2,595
Garbage collection		56
Inspection		23,512
		60,368
Repairs and maintenance		67,114
Administrative		
Directors fees		11,713
Printing and office supplies		1,698
Insurance		558
Other		34,023
		47,992
Other		1,965
Capital outlay		104,687
Total expenditures	$	450,220

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146B
TSI-3. Investments
May 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Texas CLASS	Variable	N/A	$ 87,083

See accompanying auditor's report.

Montgomery-Grimes Counties Municipal Utility District No. 146B
TSI-4. Taxes Levied and Receivable
May 31, 2026

	Maintenance Taxes
2025 Original Tax Levy	$ 34,484
Tax collections:	
Current year	34,484
Taxes Receivable, End of Year	$ -
	2025
Property Valuations:	
Land	$ 2,215,902
Improvements	83,026
Total Property Valuations	$ 2,298,928
Tax Rates per $100 Valuation:	
Maintenance tax rates	$ 1.50
Adjusted Tax Levy:	$ 34,484
Percentage of Taxes Collected to Taxes Levied **	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 4, 2024

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

See accompanying auditor's report.

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

	Amounts				
	2026	2025**	2024**	2023**	2022**
Revenues					
Water service	$ 16,731	$ -	$ -	$ -	$ -
Sewer service	18,902				
Property taxes	34,484				
Penalties and interest	1,049				
Groundwater pumpage fees	5,846				
Tap connection and inspection	276,700				
Miscellaneous	10,295			2	
Investment earnings	3,854				
Total Revenues	367,861			2	
Expenditures					
Current service operations					
Purchased services	73,127	8,788			
Professional fees	94,967	83,330	82,037		
Contracted services	60,368	18,058	13,702	3,710	837
Repairs and maintenance	67,114				
Administrative	47,992	49,679	34,647	3,384	3,051
Other	1,965	3,811	1,438	189	18
Capital outlay	104,687				
Total Expenditures	450,220	163,666	131,824	7,283	3,906
Revenues Under Expenditures	(82,359)	(163,666)	(131,824)	(7,281)	(3,906)
Other Financing Sources					
Developer advances	143,270	181,300	172,510	15,000	
Net Change in Fund Balance	60,911	17,634	40,686	7,719	(3,906)
Fund Balance, Beginning of the year	62,133	44,499	3,813	(3,906)	
End of the year	$ 123,044	$ 62,133	$ 44,499	$ 3,813	$ (3,906)
Total Active Retail Water Connections	86	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	81	N/A	N/A	N/A	N/A

*Percentage is negligible
**Unaudited
See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025**	2024**	2023**	2022**
5%				
5%				
9%				
*				
2%				
75%				
3%			-	
1%				
100%			-	
20%	-			
26%	-	-		
16%	-	-	-	-
18%				
13%	-	-	-	-
1%	-	-	-	-
28%				
122%	-	-	-	-
(22%)	-%	-%	-%	-%

Montgomery-Grimes Counties Municipal Utility District No. 146B
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 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):	August 8, 2025
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				
Alan L' Roy	05/24 - 05/30	$ 3,536	$ 884	President
Joseph Guidry	05/24 - 05/28	1,989	370	Vice President
Kenneth Richardson	05/24 - 05/28	3,978	638	Secretary
Jesse Vela	05/26 - 05/30		584	Assistant Secretary
Susan White	07/25 - 05/28	2,210	284	Assistant Secretary
		Amounts Paid		
Consultants				
Schwartz, Page & Harding L.L.P.	2022			Attorney
General legal fees		$ 62,633		
Municipal District Services, LLC	2025	162,221		Operator
Municipal Accounts & Consulting, L.P	2022	22,381		Bookkeeper
Assessments of the Southwest, Inc.	2025			Tax Collector
Montgomery Central Appraisal District	Legislation			Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2025			Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	2022	6,276		Engineer
McGrath & Co., PLLC	Annual			Auditor
Cedar Creek Municipal Advisors, LLC	2026			Financial Advisor

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

See accompanying auditor's report.