

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “TAX MATTERS” FOR A DISCUSSION OF BOND COUNSEL’S OPINION.

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

NEW ISSUE—BOOK-ENTRY-ONLY
CUSIP No. 273738

**RATINGS: Underlying “Baa2” Moody’s
BAM Insured “AA” (stable outlook) S&P**
See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$6,300,000

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 3

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

**UNLIMITED TAX BONDS
SERIES 2026**

Dated: April 15, 2026

Due: August 15 (as shown below)

Interest on the \$6,300,000 Unlimited Tax Bonds, Series 2026 (the “Bonds” or the “Series 2026 Bonds”) will accrue from April 15, 2026, and will be payable on August 15 and February 15 of each year, commencing August 15, 2026, until maturity or prior redemption. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. The Bonds will be issued in principal denominations of \$5,000, or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”).

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$125,000	2030	6.500%	2.750%	\$175,000	2037 (b)	4.000%	3.500%
\$135,000	2031	6.000%	2.850%	***	***	***	***
\$140,000	2032 (b)	6.000%	2.950%	\$225,000	2042 (b)	4.125%	4.125%
\$145,000	2033 (b)	5.000%	3.050%	\$235,000	2043 (b)	4.250%	4.250%
\$155,000	2034 (b)	5.000%	3.200%	\$245,000	2044 (b)	4.250%	4.300%
\$160,000	2035 (b)	4.000%	3.300%	\$255,000	2045 (b)	4.375%	4.400%
\$170,000	2036 (b)	4.000%	3.400%	\$270,000	2046 (b)	4.500%	4.500%
		\$380,000 4.000%	Term Bond Due August 15, 2039 to Yield 3.750%				(a) (b) (c)
		\$415,000 4.000%	Term Bond Due August 15, 2041 to Yield 4.000%				(a) (b) (c)
		\$575,000 4.500%	Term Bond Due August 15, 2048 to Yield 4.600%				(a) (b) (c)
		\$635,000 4.500%	Term Bond Due August 15, 2050 to Yield 4.700%				(a) (b) (c)
		\$695,000 4.625%	Term Bond Due August 15, 2052 to Yield 4.750%				(a) (b) (c)
		\$1,165,000 4.375%	Term Bond Due August 15, 2055 to Yield 5.000%				(a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after August 15, 2032, are subject to redemption in whole or, from time to time, in part at the option of the District (hereinafter defined) on August 15, 2031 or any date thereafter at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS – Optional Redemption Provisions.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by East Montgomery County Municipal Utility District No. 3 (the “District”) for the following purposes: (1) to reimburse a residential developer in the District for certain water, sanitary sewer, and drainage facility related costs, and related testing/engineering/inspection costs in the Porters Mill subdivision; (2) to fund the construction of water, sanitary sewer and drainage improvements along Miller Heights Drive and Porters Mill Boulevard and related engineering, testing, and surveying costs; (3) to pay for certain developer interest costs; (4) to fund twelve (12) months of capitalized interest on the Bonds; and (5) to pay for costs associated with the issuance of the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied by the District against all taxable property within the District. See “THE BONDS – Source and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain risk factors described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Marks Richardson PC, Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the District by Norton Rose Fulbright US LLP, Houston, Texas as Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about April 16, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with an offer to sell or the solicitation of an offer to buy in any state in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Underwriters (hereinafter defined). See "OFFICIAL STATEMENT – Updating of Official Statement."

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

UNDERWRITING

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by Raymond James & Associates, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.008553% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.576626%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the bonds may be greater than the difference between the bids and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities as bonds of such entities are more generally bought, sold or traded in the secondary market.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED

AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District 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 in the Bonds. If there is a secondary market, the difference between the bid and asked price of the bonds may be greater than the difference between the bids and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the bond order authorizing the issuance of the Bonds (the "Bond Order"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material 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 via EMMA.

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement and in the caption "DISTRICT DEBT" (except for "Overlapping Debt"). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide certain updated information to the MSRB or any successor to its functions as a repository through its EMMA system.

Under current Texas law, the District must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the Texas Commission on Environmental Quality (herein "TCEQ" or the "Commission") within 135 days after the close of the fiscal year. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District and the TCEQ are required by law to provide a copy of the District's audit reports to any member of the public within a reasonable time on request, upon payment of applicable copying charges. Requests for copies should be addressed to the District in care of Marks Richardson PC, Houston, Texas.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District 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 the financial obligation of the obligated person, any of which reflect financial difficulties. Financial obligation in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered

into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The terms "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 provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB via EMMA. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB, without charge, at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement although holders and beneficial owners of 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule taking into account any amendments of the Rule as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds.

The District may also repeal or amend the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

During the past five years, the District has materially complied in all material respects with its past continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to Moody's Ratings ("Moody's") which assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P Global Ratings ("S&P") has assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com/>.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$514.1 million, \$290 million and \$224 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at <https://bambonds.com/>, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles/>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2026 (the “Bonds” or the “Series 2026 Bonds”), will be issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended, bond election held within the District, an order of the Texas Commission on Environmental Quality (the “TCEQ”), and bond order authorizing the issuance of the Bonds order (the “Bond Order”) to be adopted by the Board of Directors of East Montgomery County Municipal Utility District No. 3 (the “District”). The Bonds will be dated April 15, 2026. The Bonds will mature on August 15 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from April 15, 2026, and is payable on August 15, 2026, and each February 15 and August 15 thereafter until maturity. See “THE BONDS – Description.”
- Redemption Provisions:** The Bonds maturing on and after August 15, 2032, are subject to early redemption, in whole or from time to time, in part, on August 15, 2031, or on any date thereafter at the option of the District at par plus accrued interest to the date of redemption. See “THE BONDS – Optional Redemption Provisions.” The Bonds maturing on August 15 in the years, 2039, 2041, 2048, 2050, 2052 and 2055 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on August 15 in the years 2038, 2040, 2047, 2049, 2051 and 2053, respectively. See “THE BONDS – Mandatory Redemption.”
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
- Source of Payment:** Principal of and interest on the Bonds are payable from a continuing direct annual ad valorem tax levied by the District upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, City of Conroe or any other political subdivision or agency. See “THE BONDS – Source and Security for Payment.”
- Municipal Bond Rating:** In connection with the sale of the Bonds the District made application to Moody’s which assigned a rating of “Baa2” on the Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody’s. The rating reflects only the view of Moody’s and the District makes no representation as to the appropriateness of such rating. See “MUNICIPAL BOND RATING.”
- Bond Insurance:** S&P has assigned its municipal bond insured rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See “MUNICIPAL BOND RATING,” “BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”
- Use of Bond Proceeds:** The proceeds of the Bonds will be used for the following purposes: (1) to reimburse a residential developer in the District for certain water, sanitary sewer, and drainage facility related costs, and related testing/engineering/inspection costs in the Porters Mill subdivision; (2) to fund the construction of water, sanitary sewer and drainage improvements along Miller Heights Drive and Porters Mill Boulevard and related engineering, testing, and surveying costs; (3) to pay for certain developer interest costs; (4) to fund twelve (12) months of capitalized interest on the Bonds; and (5) to pay for costs associated with the issuance of the Bonds. See “USE OF BOND PROCEEDS.”
- Legal Opinions:** Marks Richardson PC, Bond Counsel, Houston, Texas.
- Payment Record:** The District has previously issued nine separate issues of unlimited tax new money bonds and two separate issuances of unlimited tax refunding bonds. The District has never defaulted in payment of principal of or interest on its bonded indebtedness.
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

Qualified Tax-Exempt Obligations: The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Risk Factors: The Bonds are subject to certain risk factor considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds; particularly the section captioned “RISK FACTORS.”

THE DISTRICT

Description: The District is a political subdivision of the State of Texas, created by the 77th Texas Legislature on June 16, 2001. The Texas Commission on Environmental Quality (herein the “Commission” or the “TCEQ”) exercises continuing supervisory jurisdiction over the District. The District consists of approximately 1,590 acres of land. See “THE DISTRICT.”

Location: The District includes approximately 1,590 acres located in eastern Montgomery County, Texas, approximately 31 miles northeast of the central downtown business district of the City of Houston. The District is generally located 2 miles northwest of U.S. Highway 59, 3 miles east of FM 1314, and 18 miles southeast of the City of Conroe. The District is generally bounded on the east by FM 1485, the south by White Oak Creek, the west by FM 1314, and the north by Dry Creek, with 187 acres of residential development located south of Gene Campbell Boulevard. Approximately 1,266 acres of the District is located within the extraterritorial jurisdiction of the City of Conroe and the District is wholly within the boundaries of the New Caney Independent School District. See “THE DISTRICT.”

Industrial Development: Approximately 677 of the acres in the District have been developed or will be developed for light industrial/commercial purposes known as the East Montgomery County Industrial Park (Phase 1, Sections 1-5).

The building development in the District currently includes 28 different light-industrial/warehouse distribution center-type buildings totaling approximately 3,800,597 square feet located on approximately 405.5 acres of land (including the Lowe’s facility).

There are approximately 634 acres of developable land not currently provided with water distribution, wastewater collection and storm drainage facilities and approximately 20 acres of land in the District that are undevelopable. See “THE DISTRICT – Commercial Development” and “– Undeveloped Acreage.”

Single/Family Development: D.R. Horton has developed all of the land (326 acres) within Porters Mill and Porters Mill South subdivision (1,239 lots). As of December 15, 2025, homebuilding development in these two subdivisions include 1,024 completed homes, 48 homes under construction, and 167 vacant developed lots. According to the records of the Montgomery Central Appraisal District, homes in these subdivisions have an average taxable value of \$238,234. See “THE DISTRICT – Single Family Residential Development”

Industrial Developer: East Montgomery County Improvement District (“EMCID”), a political subdivision of the State of Texas, developed the Industrial Park, Sections 1 – 5. EMCID owns an additional 127 acres of land in the District that remains to be developed. EMCID was created to promote, develop, encourage, and maintain employment, commerce, economic development, and public welfare in the eastern area of Montgomery County, Texas. Land owned by EMCID is not subject to ad valorem taxation until such land is sold by EMCID to third parties. See “THE DEVELOPER, PRINCIPAL TAXPAYERS AND PRINCIPAL LANDOWNER.”

Principal Taxpayers: Wal-Mart Real Estate Business Trust (“Wal-Mart”), Polygon New Caney LLC (“Polygon”), and Lowe’s. Wal-Mart which owns an approximately 854,600 square foot mechanized food distribution facility on a 132.40-acre site in the Industrial Park, Section 1. The real property and personal property of Wal-Mart represents approximately 18.4% of the District’s 2025 Taxable Valuation. The real property of Polygon represents approximately 15.79% of the District’s 2025 Taxable Valuation. Lowe’s personal property located within the Polygon building represents approximately 10.6% of the District’s 2025 Taxable Valuation. See “RISK FACTORS – Tax Collections” and “– Dependence on Principal Taxpayers,” and “TAX DATA – Principal Taxpayers.”

Major Landowners: Approximately 501 undeveloped acres in the District (located outside of the Industrial Park) are owned by Bear Creek Trust, Louetta Partners LTD and Crighton Park LTD; no development is currently underway on any of this acreage and the District has no knowledge of any specific development plans for such land in the future. See “THE DEVELOPER, PRINCIPAL TAXPAYERS AND PRINCIPAL LANDOWNER.”

During 2020, EMCID acquired 195.104 acres of undeveloped property located adjacent to a portion of the northern boundary of the District. EMCID subsequently conveyed 123.316 of those acres to The Cubes at EMC Industrial Park, LLC (“The Cubes”). EMCID and The Cubes then jointly petitioned for annexation of the 195.104 acres into the District. The petition was consented to by the City of Conroe in January, 2021. The

District Board of Directors annexed the 195.104 acres into the District by Order dated March 11, 2021. The Cubes constructed an approximately 1,500,000 square foot Lowe's warehouse and distribution type building located on approximately 123 acres. The building and approximately 86.90 acres were subsequently sold to Polygon New Caney LLC and leased to Lowe's subject to the terms of a long-term lease agreement.

In April 2021, EMCID acquired an additional 112.002 acres of undeveloped property located adjacent to the previously annexed 195.104 acres. EMCID petitioned the District for annexation of the 112.002 acres into the District and the petition was consented to by the City of Conroe in March 2022. The District Board of Directors annexed the 112.002 acres into the District by Order dated March 10, 2022.

In 2022, EMCID acquired an additional 29.100 acres of undeveloped property located north of the previously annexed 195.104 acres and Crighton Park Limited owned 139.243 acres of undeveloped property south of the Porters Mill development. EMCID and Crighton Park Limited petitioned the District for annexation of the 29.100 acres and the 139.243 acres into the District and the petition was consented to by the City of Conroe in March 2022. The District Board of Directors annexed the 168.343 acres into the District by Order dated March 10, 2022.

In 2025, EMCID acquired an additional 55.55 acres of undeveloped property located along Nichols Lane, that is generally encompassed by the existing District land. EMCID petitioned the District for annexation of the 55.55 acres into the District and the City of Conroe consented to the petition in March, 2025. The Board of Directors of the District annexed the 55.55 acres into the District by Order dated May 8, 2025. See "THE DISTRICT – Recent Annexation."

SELECTED FINANCIAL INFORMATION
(Unaudited)

1-1-2026 Estimated Taxable Value	\$622,299,237	(a)
2025 Certified Taxable Value	\$597,071,748	(b)
Direct Debt		
Outstanding Bonds (as of January 1, 2026)	\$45,735,000	
The Series 2026 Bonds	<u>\$6,300,000</u>	
Total Direct Debt	\$52,035,000	
Estimated Overlapping Debt	<u>\$66,575,800</u>	
Direct and Estimated Overlapping Debt	\$118,610,800	
Percentage of Direct Debt to:		
1-1-2026 Estimated Taxable Value	8.36%	
2025 Certified Taxable Value	8.72%	
Percentage of Direct Overlapping Debt to:		
1-1-2026 Estimated Taxable Value	19.06%	
2025 Certified Taxable Value	19.87%	
2025 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.43	
Maintenance Tax	<u>\$0.38</u>	
Total 2025 Tax Rate	\$0.81	
General Fund Cash and Investment Balance as of January 8, 2026	\$5,404,884	
Debt Service Fund Cash and Investment Balance as of January 8, 2026	\$4,739,415	(c)

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- (a) Reflects data supplied by the Montgomery Central Appraisal District ("MCAD"). The Estimated Taxable Value as of 1/1/2026 was prepared by MCAD and provided to the District. Such values are not binding on MCAD; the value added after January 1, 2026, will not be included on the District's tax roll until the 2026 tax roll is prepared and certified by MCAD during the second half of 2026. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Values as provided to the District by MCAD and the District's Tax Assessor/Collector. See "TAXING PROCEDURES."
- (c) Reflects the unaudited cash and investment balance. The figure above includes \$282,175 of capitalized interest to be funded with Bond proceeds and deposited into the Debt Service Fund on the day of closing of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Rate Calculations."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements on the District's Outstanding Bonds and the debt service requirements for the Series 2026 Bonds.

<u>Year</u>	<u>Existing Debt Service Requirements</u>	<u>Debt Service on the Series 2026 Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2026	\$2,633,616	-	\$94,058	\$2,727,674
2027	\$2,616,901	-	\$282,175	\$2,899,076
2028	\$3,099,211	-	\$282,175	\$3,381,386
2029	\$3,172,971	-	\$282,175	\$3,455,146
2030	\$3,152,126	\$125,000	\$282,175	\$3,559,301
2031	\$3,138,612	\$135,000	\$274,050	\$3,547,662
2032	\$3,192,380	\$140,000	\$265,950	\$3,598,330
2033	\$3,170,330	\$145,000	\$257,550	\$3,572,880
2034	\$3,122,664	\$155,000	\$250,300	\$3,527,964
2035	\$2,967,167	\$160,000	\$242,550	\$3,369,717
2036	\$3,024,992	\$170,000	\$236,150	\$3,431,142
2037	\$3,008,329	\$175,000	\$229,350	\$3,412,679
2038	\$3,008,510	\$185,000	\$222,350	\$3,415,860
2039	\$3,016,204	\$195,000	\$214,950	\$3,426,154
2040	\$2,719,179	\$205,000	\$207,150	\$3,131,329
2041	\$2,735,542	\$210,000	\$198,950	\$3,144,492
2042	\$2,748,667	\$225,000	\$190,550	\$3,164,217
2043	\$2,508,243	\$235,000	\$181,269	\$2,924,512
2044	\$2,494,892	\$245,000	\$171,281	\$2,911,173
2045	\$2,490,267	\$255,000	\$160,869	\$2,906,136
2046	\$2,502,661	\$270,000	\$149,713	\$2,922,374
2047	\$2,536,849	\$280,000	\$137,563	\$2,954,412
2048	\$2,516,412	\$295,000	\$124,963	\$2,936,375
2049	\$2,523,786	\$310,000	\$111,688	\$2,945,474
2050	\$2,517,411	\$325,000	\$97,738	\$2,940,149
2051	\$672,906	\$340,000	\$83,113	\$1,096,019
2052	\$659,706	\$355,000	\$67,388	\$1,082,094
2053	\$670,831	\$370,000	\$50,969	\$1,091,800
2054	-	\$390,000	\$34,781	\$424,781
2055	-	<u>\$405,000</u>	<u>\$17,719</u>	<u>\$422,719</u>
TOTAL	\$72,621,365	\$6,300,000	\$5,401,658	\$84,323,023

Maximum Annual Debt Service Requirements (2032)..... \$3,598,330

\$0.61 Tax Rate on 1-1-2026 Estimated Taxable Valuation of \$622,299,237
 @ 95% collections produces.....\$3,606,224

\$0.64 Tax Rate on 2025 Certified Taxable Valuation of \$597,071,748
 @ 95% collections produces.....\$3,630,196

See "TAX DATA – Tax Adequacy for Debt Service."

OFFICIAL STATEMENT

relating to

\$6,300,000

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 3
(A political subdivision of the State of Texas, located within Montgomery County, Texas)

UNLIMITED TAX BONDS SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$6,300,000 East Montgomery County Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, relating to the issuance of bonds by political subdivisions particularly Chapters 49 and 54 the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the "TCEQ"), a bond election held within the District and bond order authorizing the issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors (the "Board") of East Montgomery County Municipal Utility District No. 3 (the "District").

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. 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 the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are speculative in nature, involve a high degree of risk, and should be purchased by sophisticated investors who are able to evaluate and understand such risks. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision or entity. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount levied by the District, on all taxable property within the District. See "THE BONDS – Source and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Marketability

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

Tax Collections

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 impaired by (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such 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. The District is aware of the need to potentially increase the debt service tax rate in future years depending on the rate of growth of taxable value in the District.

Personal Property Tax Collection

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Personal property is portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District's lien is lost if the property is sold in the ordinary course of business. While a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal

property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property located outside the District. Furthermore, locating and foreclosing on property held outside the District may be costly, inefficient, and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property and improvements. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. No representation can be made by the District regarding future tax collections. See "TAXING PROCEDURES."

Dependence on Principal Taxpayers

Based upon the 2025 Certified tax rolls, the top three taxpayers are responsible for approximately 44.78% of the District's 2025 taxes. The top three principal taxpayers within the District are Wal-Mart Real Estate Business Trust ("Wal-Mart"), Polygon New Caney LLC ("Polygon"), and Lowe's. Wal-Mart owns an approximately 854,600 square foot mechanized food distribution facility on a 132.40-acre site in the Industrial Park. The real property and personal property of Wal-Mart represents approximately 18.4% of the District's 2025 Taxable Valuation. Wal-Mart is indirectly wholly-owned by Wal-Mart Stores, Inc., a Delaware Corporation, which is a publicly held company and listed on the New York Stock Exchange. Polygon owns an approximately 1,500,000 square foot warehouse and distribution building on an 86.900-acre site in the District. The real property of Polygon represents approximately 15.79% of the District's 2025 Taxable Valuation. Lowe's personal property located within the Polygon building represents approximately 10.6% of the District's 2025 Taxable Valuation. The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if the principal taxpayers cease to operate their facilities within the District, a substantial decrease in the District's value may result; the District has no understanding with Polygon or Wal-Mart regarding their future level of operations in the District. It should also be noted that the District's top 10 tax payers represent approximately 53.66% of the District's tax base. The District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayer to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DEVELOPER, PRINCIPAL TAXPAYERS, AND PRINCIPAL LANDOWNER" and "TAX DATA – Principal Taxpayers."

Potential Effects of Oil Price Volatility on the Houston Area

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

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide energy consumption declined significantly, contributing to historically low oil prices and resulting in layoffs, business failures, and reduced capital and operating expenditures by energy companies. Although energy markets have since recovered to varying degrees, employment levels in the Houston-area energy sector have not fully rebounded. In addition, evolving domestic and international policies, market forces, and capital allocation decisions—including those related to climate and energy transition initiatives—may affect future investment and employment levels in the energy industry, which could, in turn, impact the Houston metropolitan economy.

Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further construction of residential, multi-family and/or commercial projects within the District other than those that have been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. Assuming no increase or decrease from the 1-1-2026 Estimated Taxable Valuation and no use of other District funds, a debt service tax rate of \$0.61 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. Assuming no increase or decrease from the 2025 Certified Taxable Valuation and no use of other District funds, a debt service tax rate of \$0.64 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "TAX DATA."

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 observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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. Recent Texas court decisions have held that statutory language authorizing districts to sue and be sued is insufficient to waive a district's sovereign immunity to suit for monetary damages. Even if such sovereign immunity were waived and a judgment against the District for money damages was obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the District.

A District cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

The industrial and single family residential real estate industries in the Houston area are competitive, and the District can give no assurance that the development programs underway in the District will be completed. The sale of developed industrial tracts/single family lots and the competitive position of the industrial developer and the homebuilder in the construction of taxable improvements are affected by most of the factors discussed herein. The District's ability to pay debt service payments on its Bonds is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

The growth of taxable values in the District is directly related to the vitality of the industrial development and single-family building industries in the Houston metropolitan area. The industrial land and single-family land development industries has historically been a cyclical industry, affected by short-term and long-term interest rates, consumer demand, foreclosure rates, and availability of mortgage financing, development funds, labor conditions, and general economic conditions. The Houston economy is still dependent on energy prices and the continuation of relatively low oil and natural gas prices could result in additional adverse effects on the Houston area economy. High industrial property foreclosure rates may also affect industrial mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The ability to qualify for industrial mortgage loans may negatively affect the industrial land and development building industry and the growth of taxable values in the District. In the past periods of relatively high single family foreclosure rates have also adversely affected the single-family mortgage lenders' willingness to make single family mortgage loans and thereby had an adverse effect on single family building development in the District.

Competition

Alternative sites are available for the construction of single and multi-family residential, retail, and commercial improvements within the market area in which the District is located. Such sites could pose competition to the continued development of comparable sites within the District.

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$101,755,000 authorized but unissued unlimited tax bonds for water, sewer and drainage purposes, \$58,420,000 authorized but unissued unlimited tax refunding bonds, \$20,000,000 authorized but unissued unlimited tax park bonds, and \$16,825,000 authorized but unissued unlimited tax road bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

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

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, approval of the bonds by the Attorney General of Texas would be required. The outstanding principal amount of any road bonds issued by the District may not exceed an amount equal to twenty-five percent of the value of taxable real property in the District. During 2016, the District received approval from the TCEQ for the acquisition of road powers and conducted an election whereby the voters authorized bonds for such purpose.

Continuing Compliance with Certain Covenants

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

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

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the

relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Changes in Tax Legislation

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

Bond Insurance Risk Factors

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

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Incllement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

Specific Flood Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flooding - Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Hurricane Beryl

Hurricane Beryl made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall to the Houston metropolitan area, including the District. According to the District's Engineer, there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to District's Engineer, the District's system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other significant damage as a result of Hurricane Beryl.

Winter Storm Uri

Winter Storm Uri was a winter and ice storm that had widespread impacts to portions of the United States, Mexico, and Canada. The Houston, Texas area experienced freezing temperatures along with extended electric interruptions in February 2021. The District is served by Entergy Texas, Inc., separate from the ERCOT Texas Electrical Grid regulated by ERCOT, experienced extended power interruptions resulting in minor impacts to the District's facilities due to freezing temperatures, but were able to be repaired quickly. However, as a result of the District having an emergency backup power supply on the Water Supply System, the water supply was not critically impacted.

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

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

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

Atlas 14

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

Cybersecurity

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

Increase In Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the developer or homebuilders in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the developer's ability to construct utility facilities and a homebuilder's ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. 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 developer or any home builder.

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. The Bond Order authorizes the issuance and 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 are dated April 15, 2026, and will mature on August 15 in the years and in the principal amounts set forth on the cover page of this Official Statement. The Bonds will be issued in principal denominations of \$5,000 each, or integral multiples thereof.

Interest on the Bonds will accrue from April 15, 2026, and is payable on August 15, 2026, and each February 15 and August 5 thereafter until maturity or prior redemption.

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are issued in fully registered form only in principal denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to CEDE & Co. the nominee of the Depository Trust Company (the "DTC") pursuant to the book-entry only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable at the paying agent/registrar to CEDE & Co. which will make distribution of the amount so paid to the beneficial owners of the bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Interest calculations are based upon a 360-day year comprised of twelve 30-day months.

In the event that Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check or wire on or before each interest payment date, mailed by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as paying agent/registrar (the "Paying Agent/Registrar") to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 1st calendar day of the month of each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Authority for Issuance

At various bond elections held within the District, the voters of the District authorized a total of \$161,350,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The District has issued nine series of bonds from such authorization in the past.

After the sale of the Bonds, the District will have a total of \$101,755,000 authorized but unissued unlimited tax bonds for water, sewer and drainage purposes, \$58,420,000 authorized but unissued unlimited tax refunding bonds, \$20,000,000 authorized but unissued unlimited tax park bonds, and \$16,825,000 authorized but unissued unlimited tax road bonds. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; and the laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended.

Source and Security for Payment

The Bonds are secured by and payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied by the District against all taxable property located within the District. The Bonds involve 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. The Bonds are obligations solely of the District and are not obligations of the City of Conroe, Montgomery County, the State of Texas, or any political subdivision or entity other than the District. See "TAXING PROCEDURES" and "RISK FACTORS."

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the "Construction Fund") and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. Accrued interest on the Bonds will be deposited from proceeds from sale of the Bonds into the Bond Fund along with capitalized interest on the Bond funded with Bond proceeds. After depositing certain proceeds of the Bonds, any 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 Outstanding Bonds, 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 Outstanding Bonds, 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 Outstanding Bonds, the Bonds, any additional bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. See "USE OF BOND PROCEEDS."

Record Date

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

Optional Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 15, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on August 15, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon from the most recent interest payment date 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, provided that if less than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed shall be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by a book-entry at a securities depository, if fewer than all of the Bonds of the same maturity, are to be redeemed, the particular Bond shall be selected in accordance with arrangements between the District and securities depository. See "BOOK-ENTRY-ONLY SYSTEM."

Mandatory Redemption

The Bonds maturing August 15 in the years 2039, 2041, 2048, 2050, 2052 and 2055 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$380,000 Term Bonds, due August 15, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 15, 2038	\$185,000
August 15, 2039 (maturity)	\$195,000

\$415,000 Term Bonds, due August 15, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 15, 2040	\$205,000
August 15, 2041 (maturity)	\$210,000

\$575,000 Term Bonds, due August 15, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 15, 2047	\$280,000
August 15, 2048 (maturity)	\$295,000

\$635,000 Term Bonds, due August 15, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 15, 2049	\$310,000
August 15, 2050 (maturity)	\$325,000

\$695,000 Term Bonds, due August 15, 2052

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 15, 2051	\$340,000
August 15, 2052 (maturity)	\$355,000

\$1,165,000 Term Bonds, due August 15, 2055

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 15, 2053	\$370,000
August 15, 2054	\$390,000
August 15, 2055 (maturity)	\$405,000

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

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

Registration and Transfer

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

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District

and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, (if required) necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." The District's voters have authorized the issuance of a total of \$161,350,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$101,755,000 of such unlimited tax bonds authorized but unissued, \$58,420,000 authorized but unissued unlimited tax refunding bonds, \$20,000,000 authorized but unissued unlimited tax park bonds, and \$16,825,000 authorized but unissued unlimited tax road bonds. See "RISK FACTORS – Issuance of Additional Debt."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. 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 in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds 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.

Annexation

The District lies partially within the extraterritorial jurisdiction of the City of Conroe (the "City"). In accordance with Texas law, the District entered into a Strategic Partnership Agreement with the City, effective February 10, 2022 (the "SPA"). The SPA provides for limited purpose annexation of the District by the City at any time and full purpose annexation by the City any time on or after December 31, 2061. Upon limited purpose annexation, the City may impose within the District any sales and use tax imposed by the City within its full purpose boundaries, subject to existing sales and use taxes imposed by other taxing authorities within the District. The District shall not be subject to ad valorem taxation by the City prior to full purpose annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever annex the District and, in the case of full purpose annexation, assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if full purpose annexation were to occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Notwithstanding the foregoing, upon limited purpose annexation of the District by the City in accordance with the SPA, the District may not transfer any District facilities to another party without the consent of the City. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Bond Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to

observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Although a Registered Owner presumably could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District and recent Texas court decisions have held that statutory language authorizing districts to sue and be sued is insufficient to waive a district's sovereign immunity to suit for monetary damages. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. See "RISK FACTORS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

Defeasance

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable laws, including, without limitation, Chapter 1207, Texas Government Code, as amended.

Chapter 1207 currently provides that the Bonds may be defeased by a deposit with the Comptroller of Public Accounts of the State of Texas, a paying agent or trustee for any of the obligations to be defeased or certain other trust companies or commercial banks, which may be invested only in obligations that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of the Bonds. The deposit may be invested and reinvested in (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (3) noncallable obligations of a state or 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 defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or

indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used for the following purposes: (1) to reimburse a residential developer in the District for certain water, sanitary sewer, and drainage facility related costs, and related testing/engineering/inspection costs in the Porters Mill subdivision; (2) to fund the construction of water, sanitary sewer and drainage improvements along Miller Heights Drive and Porters Mill Boulevard and related engineering, testing, and surveying costs; (3) to pay for certain developer interest costs; (4) to fund twelve (12) months of capitalized interest on the Bonds; and (5) to pay for costs associated with the issuance of the Bonds.

The Engineer (hereinafter defined) has advised the District that the proceeds listed below should be sufficient for the acquisition and construction of such facilities. The District’s present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS	<u>Total Amount</u> (a)
Developer Contribution Items	
Porters Mill, Section 4 W, WW, & D	\$919,654
Porters Mill, Section 5 W, WW, & D	\$819,731
Porters Mill, Section 6 W, WW, & D	\$670,111
Miller Heights Drive & Porters Mill Blvd Phase 3 W, WW, & D	\$1,466,033
Engineering, Testing, Surveying & SWPPP	<u>\$825,341</u>
Total Developer Contribution Items	\$4,700,870
 TOTAL CONSTRUCTION COSTS	 \$4,700,870
 NON-CONSTRUCTION COSTS	
Legal Fees	\$167,500
Fiscal Agent Fees	\$103,000
Capitalized Interest	\$282,175
Developer Interest	\$626,823
Bond Discount	\$188,461
Bond Issuance Expenses	\$85,757
Bond Application Report Costs	\$90,000
TCEQ Bond Issuance Fee	\$15,750
Attorney General Fee	\$6,300
Contingency	<u>\$33,364</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$1,599,130
 TOTAL BOND ISSUE REQUIREMENT	 \$6,300,000

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- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District’s construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement pursuant to 30 Tex. Admin. Code §293.47(a)(3).
 - (b) Represents the difference between the estimated and actual amounts of capitalized interest and Bond Discount. Such funds will be used by the District to fund costs in accordance with TCEQ Rules.

THE DISTRICT

General

The District is a municipal utility district created by the 77th Texas Legislature on June 16, 2001, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies partially within the extraterritorial jurisdiction of the City of Conroe, 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, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop parks and recreational facilities as well as roads.

Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "DESCRIPTION OF THE SYSTEM."

Description and Location

The District consists of approximately 1,590 acres located in eastern Montgomery County, Texas, approximately 31 miles northeast of the central downtown business district of the City of Houston. The District is generally located 2 miles northwest of U.S. Highway 59, 3 miles east of FM 1314, and 18 miles southeast of the City of Conroe. The District is generally bounded on the east by FM 1485, the south by White Oak Creek, the west by FM 1314, and the north by Dry Creek, with 326 acres of residential development located south of Gene Campbell Boulevard. Approximately 1,266 acres of the District is located within the extraterritorial jurisdiction of the City of Conroe and the District is wholly within the boundaries of the New Caney Independent School District. Approximately 677 of the acres in the district have been developed or will be developed for light industrial/commercial purposes known as the East Montgomery County Industrial Park (Phase 1, Sections 1-5). Approximately 326 acres have been developed for single family housing, 634 acres of developable land remain to be developed, and approximately 20 acres of land in the District are undevelopable.

Commercial Building Development and Proposed Development

The District currently has approximately 687 acres of developed property, including 132.377 acres known as EMCID Industrial Park, Phase 1 (Wal-Mart Distribution Center #7010); 49.439 acres platted as EMCID Industrial Park, Section 1; and 100 acres platted as EMCID Industrial Park, Section 2. Approximately 405.5 acres of the developed property consists of 28 improved commercial tracts that include light industrial, commercial warehouse/distribution facilities for 22 different companies, totaling approximately 3,800,597 square feet. Approximately 110 acres of developed property within Sections 1, 2, 3, 4, and 5 remains available for building development. Following is a table of building development within Phase 1, Sections 1-5, the Polygon facility (which includes the Lowe's personal property) located on 86.900 acres, and GCP Real Estate, Inc., located on 32.563 acres within the Industrial Park.

<u>Company</u>	<u>Approximate Tract Size</u>	<u>Approximate Building Size</u>	<u>Section of the Park</u>
Walmart Distribution Center	132.40 acres	854,600 sf	
Keysteel LP	22.01 acres	154,700 sf	Section 1
Jova Group L.P.	8.40 acres	26,250 sf	Section 1
J.M. Maly Inc.	2.01 acres	9,600 sf	Section 1
Woodmark Cabinets LP	3.00 acres	57,000 sf	Section 1
Command Energy, Inc.	13.58 acres	31,400 sf	Section 2
Presidential Billiards	5.00 acres	35,225 sf	Section 2
The Filter Man, Ltd & Airtracks LLC	2.00 acres	26,872 sf	Section 2
Charter Supply	5.71 acres	16,800 sf	Section 2 R/P
Fastorq Bolting System	2.50 acres	21,000 sf	Section 2
Drift TC LLC	9.73 acres	43,200 sf	Section 2 R/P
Forterra Pipe & Precast, LLC	12.90 acres	15,000 sf	Section 2
Gates Lubricants	4.16 acres	23,250 sf	Section 2 R/P
Jenista Holdings, LLC	3.00 acres	14,500 sf	Section 3
Gamma Holdings	4.00 acres	55,000 sf	Section 3
Hallmark Mitigation & Construction, LLC	3.00 acres	5,000 sf	Section 3
Levitated Metals Real Estate Holdings, LLC	10.00 acres	19,200 sf	Section 4
EMCID - Fastenal	1.93 acres	6,000 sf	Section 3
Stanchi Interest, LLC - BECK	5.00 acres	10,000 sf	Section 3
YMER Technology	9.37 acres	60,000 sf	Section 4
Multi Seal, Inc.	9.45 acres	40,000 sf	Section 3
EMCID owned property	10.00 acres	-	Section 4
Polygon New Caney LLC	86.900 acres	1,500,000 sf	
EMCID - Titan Environmental USA	7.899 acres	39,000 sf	Section 4
EMCID – EDA Office Building	4.770 acres	30,000 sf	Section 3
GCP Real Estate, Inc.	32.563 acres	687,000 sf	(a)
Montgomery County Precinct 4 E.M.S.	3.655 acres	8,000 sf	(b)
Toribio Brothers Partners LLC	1.977 acres	12,000 sf	(c) Section 5

- (a) According to EMCID, GCP Real Estate, Inc. is underway with construction of a 687,000 square foot facility that should be operational in the 4th quarter of 2026.
- (b) Montgomery County Precinct 4 is constructing a building for occupation in 2nd quarter of 2026.
- (c) According to EMCID, Toribio Brothers has purchased the land and construction is planned to begin in the 4th quarter of 2026.

Single Family Residential Building Development

D.R. Horton has completed the development of 187 acres within the District known as the Porters Mill, Sections 1-6 which includes 754 lots of such date. As of December 15, 2025, there were 754 completed homes (742 of which were occupied), 0 homes under construction, and 0 vacant developed lots. According to MCAD's data, homes in Porters Mill had an average taxable value of \$238,234 on the District's 2025 tax roll.

Additionally, D.R. Horton has developed approximately 139 acres and is building homes in the subdivision known as Porters Mill South. At the present time, the lots in Porters Mill South, Sections 1-4 (approximately 485 lots) includes 270 completed homes, 48 homes under construction and 167 vacant developed lots that are available to be built upon. D.R. Horton currently anticipates that the homes constructed in Porters Mill South will be similar to the homes constructed in the original Porters Mill subdivision in the District and that homes will be marketed in the \$235,000 - \$280,000 price range. As noted above the homes in the original Porters Mill sections had an average taxable value of approximately \$238,234 on the District's 2025 tax roll according to data supplied by MCAD. It is currently anticipated that the homes in Porters Mill South will have taxable values similar to those in Porters Mill.

Recent Annexations

During 2020, EMCID acquired 195.104 acres of undeveloped property located adjacent to a portion of the northern boundary of the District. EMCID subsequently conveyed 123.316 of those acres to The Cubes at EMC Industrial Park, LLC ("The Cubes"). EMCID and The Cubes then jointly petitioned for annexation of the 195.104 acres into the District. The petition was consented to by the City of Conroe in January, 2021. The District Board of Directors annexed the 195.104 acres into the District by Order dated March 11, 2021. The Cubes constructed an approximately 1,500,000 square foot Lowe's warehouse and distribution type building located on approximately 123 acres. The building and approximately 86.90 acres were subsequently sold to Polygon New Caney LLC and leased to Lowe's subject to the terms of a long-term lease agreement.

In April 2021, EMCID acquired an additional 112.002 acres of undeveloped property located adjacent to the previously annexed 195.104 acres. The annexation was completed on March 10, 2022. Such land is currently owned by EMCID and to date no land development or building development work has taken place on that tract.

In 2022, EMCID acquired an additional 29.100 acres of undeveloped property located north of the previously annexed 195.104 acres and Crighton Park Limited owned 139.243 acres of undeveloped property south of the Porters Mill development. The annexation was completed on March 10, 2022. Since that time, GCP Real Estate, Inc. has been developing the property and is under construction with a 687,000 square foot warehouse and paper mill facility. It is currently anticipated that the building will be completed in the fourth quarter of 2026 and the company will be producing paper products in the first quarter of 2027.

In 2025, EMCID acquired an additional 55.55 acres of undeveloped property located along Nichols Lane, that is generally encompassed by the existing District land. The annexation was completed on May 8, 2025.

Undeveloped Acreage

There are approximately 634 acres of developable land in the District which are not currently provided with water distribution, wastewater collection and storm drainage facilities. The District has approximately 20 acres of undevelopable land that is located within the 100-year the flood plain.

Management

The current members of the Board of Directors and Officers of the District, together with their titles on the Board, are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Maybee	President	2028
Darrel Bridges	Vice President	2030
Brenda Crayton	Secretary	2030
Ken Parmer	Assistant Secretary	2028
Mike Deaton	Director	2028

Director Crayton resides within the District. Each of the other four (4) directors owns a small parcel of land within the District, which qualifies them to serve as Directors. Directors have four-year staggered terms. Director elections are held only in even-numbered years.

Auditor – The District has engaged McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended June 30, 2025, is included in "Appendix A" hereto.

Tax Assessor/Collector – The Tax Assessor/Collector for the District is appointed by the Board each year. Utility Tax Services is currently engaged by the District as Tax Assessor/Collector. Utility Tax Services currently serves as tax assessor/collector for approximately 100 other municipal utility districts.

Bookkeeper – The District has engaged Municipal Accounts and Consulting, L.P. as bookkeeper and to perform certain other administrative duties. Municipal Accounts and Consulting, L.P. currently serves as bookkeeper for approximately 150 other municipal utility districts.

Utility System Operator – The District has engaged TNG Utility Corporation to operate and maintain the District’s System. TNG Utility Corporation serves in a similar capacity for approximately 26 other municipal utility districts.

Engineer – The consulting engineer for the District is J. A. Costanza & Associates Engineering, Inc. (the “Engineer”).

Financial Advisor – The District has engaged The GMS Group, L.L.C., as Financial Advisor. Financial advisory fees related to the sale and delivery of bonds is to be computed on each separate issuance of bonds, contingent upon such bonds being delivered. The GMS Group, L.L.C. also performs certain work for the District on an hourly fee basis.

Bond Counsel and General Counsel – Marks Richardson PC (“Bond Counsel”), serves as Bond Counsel to the District. The fee to be paid to Bond Counsel for services rendered in connection with the Bonds is contingent upon the issuance of the Bonds. In addition, Marks Richardson PC also serves as General Counsel to the District on matters other than the issuance of bonds.

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

THE DEVELOPER, PRINCIPAL TAXPAYERS AND PRINCIPAL LANDOWNER

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be reimbursed from the sale of district bonds to the extent allowed by the Commission, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

East Montgomery County Improvement District (“EMCID”), a political subdivision of the State of Texas, developed the Industrial Park, Sections 1 – 5 and owns an additional 127 acres of land in the District that remains to be developed. EMCID was created to promote, develop, encourage, and maintain employment, commerce, economic development, and public welfare in the eastern area of Montgomery County, Texas. Land owned by EMCID is not subject to ad valorem taxation until sold by EMCID to a third party.

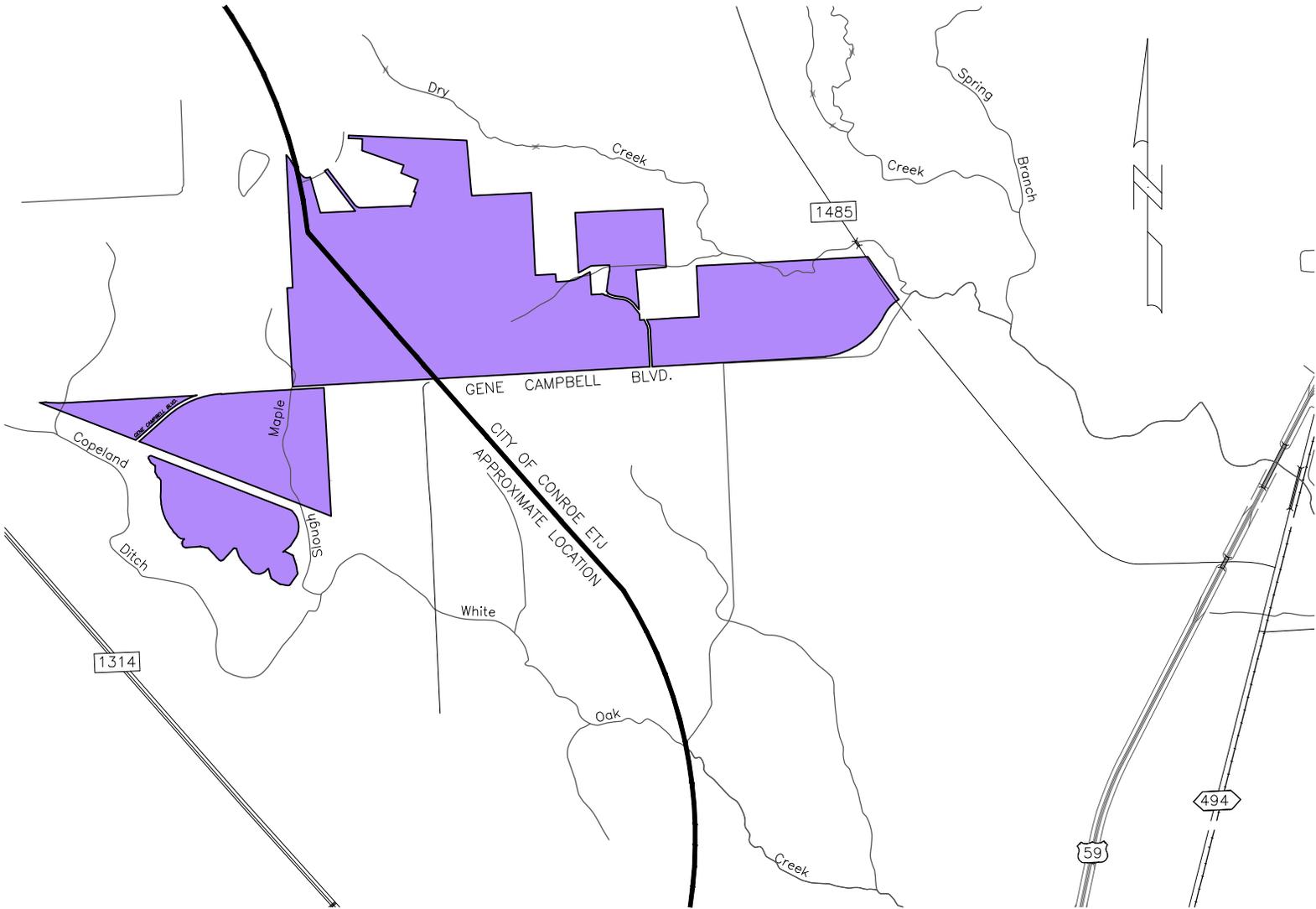
D.R. Horton has developed land within the District known as the Porters Mill subdivision and the Porters Mill South subdivision. As of December 15, 2025, approximately 326 acres (1,239 lots) have been developed in these two subdivisions. As of such date, there were 1,024 completed homes, 48 homes under construction, and 167 vacant developed lots.

The top three principal taxpayers within the District are Polygon New Caney LLC (“Polygon”), Wal-Mart Real Estate Business Trust (“Wal-Mart”), and Lowe’s (personal property in Polygon facility). Polygon owns an approximately 1,500,000 square foot warehouse and distribution type building on an 86.900-acre site in the District. The real property of Polygon represents approximately 15.79% of the District’s 2025 Taxable Valuation. The personal property located within the Polygon building is owned by Lowe’s and represents approximately 10.60% of the District’s 2025 Taxable Valuation. Wal-Mart owns an approximately 854,600 square foot mechanized food distribution facility on a 132.40-acre site in the Industrial Park. The real property and personal property of Wal-Mart represents approximately 18.40% of the District’s 2025 Taxable Valuation. See “RISK FACTORS” – Tax Collections” and “– Dependence on Principal Taxpayer,” and “TAX DATA – Principal Taxpayers.”

Approximately 501 undeveloped acres in the District (located outside of the Industrial Park) are owned by Bear Creek Trust, Louetta Partners LTD and Crighton Park LTD; no development is currently underway on any of this acreage and the District has no knowledge of any specific development plans for such land in the future.



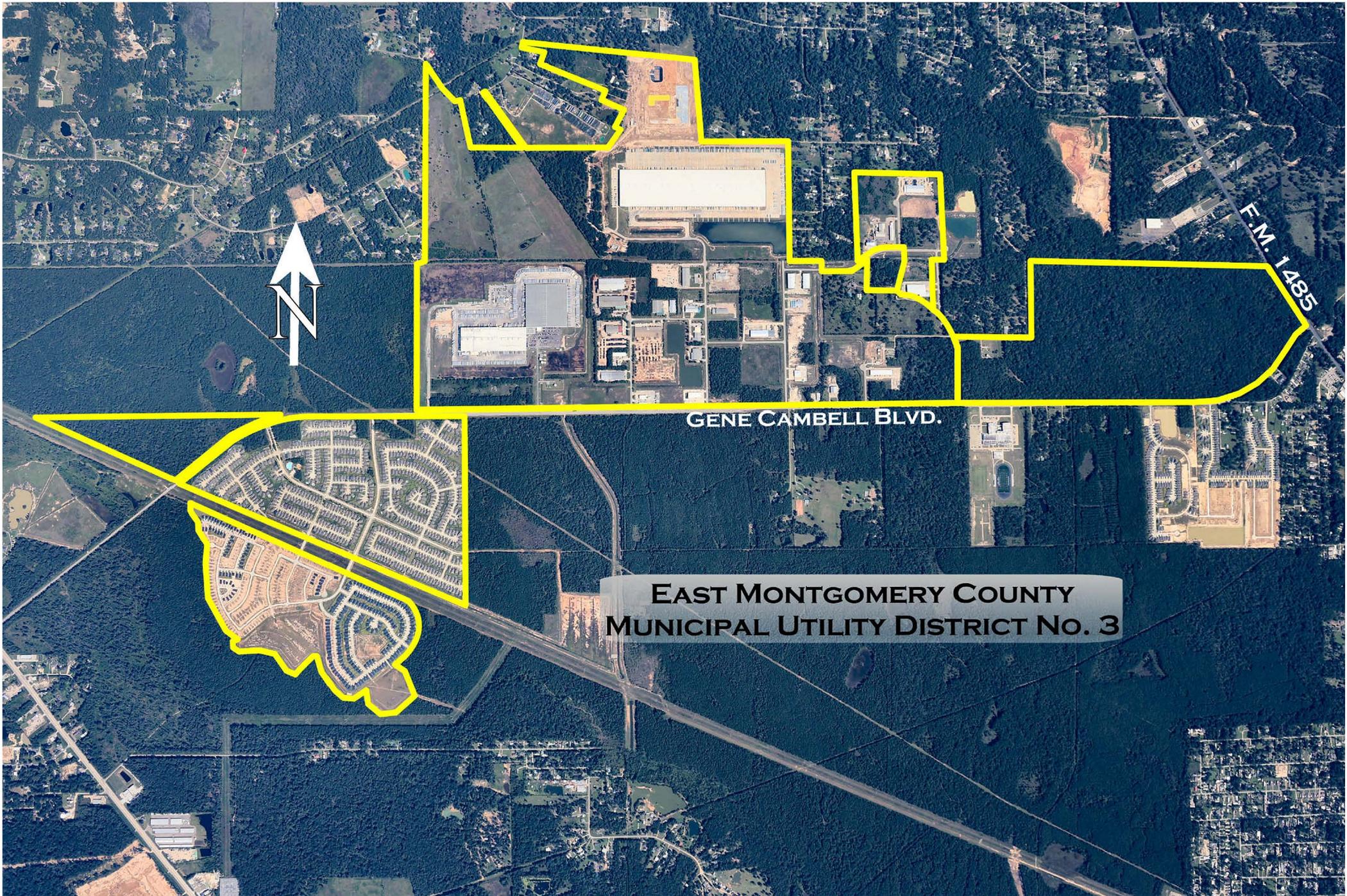
LOCATION MAP



EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3



T.B.P.E. FIRM REGISTRATION NO. F-652
4301 CENTER ST. DEER PARK, TX 77536 281-930-9339



**EAST MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT No. 3**

DESCRIPTION OF THE SYSTEM

General

The proceeds of the District's previously issued unlimited tax bonds were used to finance the construction and/or acquisition of water distribution, sanitary sewage collection, and storm drainage facilities to serve the District and to pay all expenses in any manner incidental thereto, in accordance with plans and specifications prepared by the Engineer. The previously issued unlimited tax bonds also financed the construction and acquisition of water supply and storage facilities and a wastewater treatment plant for the District.

Regulation

Construction and operation of the water supply and distribution system and the wastewater treatment and collection system (herein the "System") as it now exists or as it may be expanded from time to time are subject to the regulatory jurisdiction of various federal, state and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to regulatory authority of the TCEQ and the United States Environmental Protection Agency ("EPA"). The provision of potable water in the District is subject to regulatory authority of the TCEQ and the EPA. Withdrawal of ground water and the issuance of water well permits are subject to the regulatory authority of the Lone Star Groundwater Conservation District. (See "RISK FACTORS – Conversion to Surface Water"). Construction of drainage facilities is subject to the regulatory authority of Montgomery County. Montgomery County, the City of Conroe, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System. Changes in regulatory criteria could require the District to make additional capital expenditures for system improvements in the future.

Water Supply

The District has constructed two water plants; each water plant includes a 1,000 gpm well. The District has ground storage tank capacity of 420,000 gallons, booster pump capacity of 5,000 gpm and hydro-pneumatic capacity of 75,000 gallons.

According to the Engineer, the water supply facilities are sufficient to serve a total 2,100 equivalent single-family connections ("ESFCs"). Currently, the District is supplying water to approximately 1,351 ESFCs.

The District does not currently have a source for surface water and there are currently no interconnects to other groundwater sources. See "RISK FACTORS – Lone Star Groundwater Conservation District" and " - San Jacinto River Authority GRP Agreement."

Wastewater Treatment Plant Capacity

Wastewater treatment for the District is provided by a 300,000 GPD package plants and the first phase of a permanent wastewater treatment plant with 300,000 GPD of capacity; both plants are owned by the District. The District's wastewater treatment plant capacity is sufficient to serve the 2,000 ESFCs based on 300 GPD per ESFC.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection and storm drainage facilities to serve approximately 796 acres in the District. The District's Engineer has determined that the System will be sufficient to serve all developed acreage currently within the District's boundaries, based on current projected land uses, except as described above. (See "– Wastewater Treatment Plant Capacity" herein.)

Flood Plain Acreage in District

Approximately 20 acres in the District are located in the 100-year flood plain. Such acres lie within the Dry Creek flood plain and is not land intended for future building development.

Groundwater Regulation; GRP Contract

In 2001, the Texas Legislature created the Lone Star Groundwater Conservation District (the "Conservation District") to manage and protect Montgomery County's groundwater aquifers. The District is located within the boundaries of the Conservation District and, therefore, the withdrawal of groundwater by the District's water wells is subject to permitting and regulation by the Conservation District.

- Groundwater Regulation -

In 2009, the Conservation District adopted amendments to its District Regulatory Plan which required large-volume water users in the county, such as the District, to reduce groundwater pumpage and convert to alternative sources of water, including surface water. As described hereinafter, the District entered into a contract with the San Jacinto River Authority (the "Authority") to achieve compliance with such groundwater reduction requirements.

- District Participation in Groundwater Reduction Plan -

In response to the Conservation District's adoption of groundwater reduction requirements in 2009, the San Jacinto River Authority (the "Authority") developed and adopted a Groundwater Reduction Plan ("GRP") and entered into contracts ("GRP Contracts") with water providers representing approximately 151 water systems ("GRP Participants") to participate in the Authority's GRP and the related construction of surface water treatment facilities and pipelines to convert the water systems of certain GRP Participants from primarily groundwater supplies to primarily surface water supplies. The District entered into a GRP Contract with the Authority dated as of February 1, 2014. The Authority has issued, in phases, \$554,280,000 principal amount of bonds secured by payments made by the GRP Participants ("GRP Fees"), which payments consist of (i) a fee on groundwater withdrawals by GRP Participants ("Pumpage Fee"), and/or (ii) a fee on surface water delivered by the Authority to certain GRP Participants ("Surface Water Fee"). GRP Participants, such as the District, are obligated by the GRP Contracts to make payments to the Authority sufficient to provide for the payment of the outstanding GRP Division bonds pursuant to such contracts. Effective September 1, 2025, the Pumpage Fee is \$2.61 per 1,000 gallons and the Surface Water Fee is \$3.21 per 1,000 gallons.

- Litigation Related to the Authority's Groundwater Reduction Plan -

On June 20, 2016, the Authority adopted a Rate Order setting revised rates applicable to its GRP Participants. The rate revisions were to become effective on September 1, 2016. On August 16, 2016, the City of Conroe, Texas, the second-largest rate payer in the Authority's GRP, adopted an ordinance that, among other things, directed City staff not to pay the revised rates adopted by the Authority. Litigation ensued as described below.

Quadvest, L.P. et al. v. San Jacinto River Authority, No. 19-09-12611, in the 284th Judicial District Court for Montgomery County, Texas. Quadvest, L.P., Woodland Oaks Utility, L.P., Everett Square, Inc., E.S. Water Consolidators, Inc., Utilities Investments Co., Inc., and T&W Water Service Company filed a lawsuit against the Authority in Montgomery County, Texas, for breach of the parties GRP Contracts. Plaintiffs allege that the Authority has improperly set the rates it charges for groundwater pumpage and surface water usage under the GRP Contracts. Because the Texas Supreme Court's opinion limited the suit under Government Code Chapter 1205, as discussed above, to the validity of the GRP Contracts and excluded compliance with those contracts, the Authority filed cross-claims against the Cities of Conroe and Magnolia for breach of contract for their failure to pay the prevailing GRP rates since September 2016. Conroe and Magnolia challenged the trial court's jurisdiction on the basis of governmental immunity, specifically that the GRP Contracts lack the essential terms of price and quantity necessary for the statutory waiver of immunity to apply and because the parties did not first mediate their dispute. The trial court granted the Cities' plea to the jurisdiction, and the Authority took an interlocutory appeal. That appeal was styled *San Jacinto River Authority v. City of Conroe, Texas and City of Magnolia, Texas*, No. 09-20-00180-CV, in the Court of Appeals for the Ninth District of Texas, Beaumont, Texas. On April 21, 2022, the court of appeals affirmed the grant of the Cities' plea to the jurisdiction because the parties did not first mediate their dispute. The court held mediation was a jurisdictional prerequisite to the waiver of immunity. The Authority filed a Petition for Review asking the Supreme Court of Texas to review the decision of the Ninth Court. On September 1, 2023, the Supreme Court of Texas granted the Petition for Review and heard oral arguments on January 9, 2024. On April 12, 2024, the Supreme Court reversed the Court of Appeals and held that the Cities of Conroe and Magnolia had waived their sovereign immunity by entering into the GRP Contracts. The case is now back in the trial court; however, on August 16, 2025, the City of Conroe and the Authority executed a Mutual Release and Settlement Agreement that resolved the Authority's claims against the City of Conroe for its failure to pay the established rates since September of 2016. Under that agreement, the City of Conroe paid the Authority almost \$19 million in past-due fees and agreed to pay all future fees, rates, and charges as required by its GRP Contract. One September 22, 2025, the court entered an Order of NonSuit with Prejudice, non-suiting all claims between the Authority and the City of Conroe with prejudice. The claims between the Authority and the private utilities and City of Magnolia remain pending.

San Jacinto River Authority v. Quadvest, L.P. et al., No. 20-08-10189, in the 284th Judicial District Court for Montgomery County, Texas. After the Montgomery County District Court granted the plea to the jurisdiction in the lawsuit discussed in the preceding paragraph, Quadvest, L.P. and Woodland Oaks Utility, L.P. announced that they would no longer pay the fees owed under the GRP Contracts. Once the trial court issued orders on December 16, 2022, denying defendants' motion for partial summary judgment and granting the Authority's motion for partial summary judgement, holding that the GRP Contracts are incontestable, valid, and enforceable according to their terms. Rather than proceed with discovery and trial, the utilities wanted to file an interlocutory appeal on the issue of the incontestability of the GRP Contracts. The Authority was agreeable to an interlocutory appeal on the condition that Quadvest and Woodland Oaks paid the amount in dispute and agreed to pay going forward until some final court order relieves them of the obligation. Quadvest and Woodland Oaks paid the amounts owing and remain current and filed an interlocutory appeal in the Ninth Court of Appeals, No. 09-23-00167. The utilities filed their Appellants' Brief on August 31, 2023. Since then, the Authority has filed its Appellee's Brief and the utilities have filed their Reply Brief in 2023. On May 9, 2024, the Ninth Court of Appeals affirmed the trial court and held that the GRP Contracts are incontestable, valid, and enforceable according to their terms. On September 13, 2024, the private utilities filed a Petition for Review in the Supreme Court of Texas. On April 4, 2025, the Supreme Court called for merits briefing from the parties and for the view of the Texas Solicitor General. On December 19, 2025, the Supreme Court denied the Petition for Review.

Quadvest, L.P. et al. v. San Jacinto River Authority, No. 4:19-CV-4508, in the U.S. District Court for the Southern District of Texas. Quadvest, L.P. and Woodland Oaks Utility, L.P. have filed a lawsuit against the Authority in federal court for violation of the federal antitrust laws in connection with Authority's GRP Contracts. Plaintiffs allege that the GRP Contracts are illegal because they "unreasonably restrain trade." Plaintiffs have now amended their Complaint to add a claim for attempted monopoly. The parties concluded discovery in August 2023. The above summary based on the status of litigation through August 31, 2023. On September 1, 2023, the Authority filed its motion for summary judgment; Quadvest filed its own motion for summary judgment on September 5, 2023. Those motions were both denied and a bench trial was held on January 9, 2024. The case was tried to the bench over three

weeks in January 2024. On October 18, 2024, the Court entered Final Judgment in the Authority's favor on all of Quadvest L.P.'s claims. Quadvest, L.P. has appealed the judgment to the United States Court of Appeal for the Fifth Circuit.

The Authority is contesting all of the above lawsuits vigorously and intends to continue to do so. The Authority cannot express a judgement as to the potential outcome of the lawsuits, estimate the amount or range of potential collections and/or losses related to the lawsuits, or estimate legal expenses that may be incurred in contesting the lawsuits. No inference should be drawn from the foregoing.

In the Annual Comprehensive Financial Report for the Authority's fiscal year ended August 31, 2023, the Authority reported total unpaid fees, interest, and penalties due as of August 31, 2023, in the amount of \$20,722,971 with respect to the City of Conroe, \$1,232,159 with respect to the City of Magnolia, \$3,721,574 with respect to Quadvest, L.P., and \$285,887 with respect to Woodland Oaks Utility, L.P.

At this time, no evaluation can be made as to the outcome of the above lawsuit or the impacts on the Authority and the resultant impact on GRP Participants such as the District.

General Fund Operating History

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

	FISCAL YEAR ENDING JUNE 30 (a)				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES:					
Property Taxes	\$2,074,354	\$1,159,084	\$913,686	\$572,058	\$450,334
Water Service	\$395,070	\$367,849	\$305,442	\$291,593	\$215,517
Wastewater Service	\$312,818	\$267,906	\$258,506	\$239,624	\$169,944
Surface Water Revenues	\$354,760	\$382,605	\$315,593	\$240,562	\$140,746
Penalty and Interest	\$238,157	\$60,481	\$22,796	\$16,867	\$18,569
Tap Connection/Inspection Fees	\$304,665	\$55,583	\$139,195	\$262,300	\$514,192
Investment Revenues	\$190,364	\$137,613	\$86,757	\$4,678	\$2,094
Miscellaneous Revenues	\$20,844	\$42,243	\$36,814	\$54,028	\$15,635
TOTAL REVENUES:	<u>\$3,891,032</u>	<u>\$2,473,364</u>	<u>\$2,078,789</u>	<u>\$1,681,710</u>	<u>\$1,527,031</u>
EXPENDITURES:					
Professional Fees	\$196,874	\$202,099	\$173,243	\$193,533	\$137,113
Contracted Services	\$201,160	\$215,680	\$216,290	\$153,332	\$129,897
Utilities	\$103,296	\$77,916	\$73,769	\$71,224	\$53,909
Surface Water Fees	\$332,252	\$354,235	\$387,938	\$309,030	\$195,956
Repairs and Maintenance	\$454,457	\$364,730	\$272,481	\$292,401	\$203,605
Other	\$355,857	\$318,393	\$297,200	\$270,179	\$245,158
Capital Outlay	\$0 (b)	\$34,358	\$182,290	\$176,850	\$2,934
TOTAL EXPENDITURES:	<u>\$1,643,896</u>	<u>\$1,567,411</u>	<u>\$1,603,211</u>	<u>\$1,466,549</u>	<u>\$968,572</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$2,247,136 (b)</u>	<u>\$905,953</u>	<u>\$475,578</u>	<u>\$215,161</u>	<u>\$558,459</u>
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	\$0	\$0	\$0	\$82,226	\$0
Developer Advances	\$0	\$0	\$0	\$0	\$0
Contribution from Others	\$0	\$0	\$0	\$0	\$0
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$82,226</u>	<u>\$0</u>
NET CHANGE IN FUND BALANCE	\$2,247,136	\$905,953	\$475,578	\$297,387	\$558,459
BEGINNING BALANCE	<u>\$3,337,836</u>	<u>\$2,431,883</u>	<u>\$1,956,305</u>	<u>\$1,658,918</u>	<u>\$1,100,459</u>
ENDING FUND BALANCE	<u>\$5,584,972</u>	<u>\$3,337,836</u>	<u>\$2,431,883</u>	<u>\$1,956,305</u>	<u>\$1,658,918</u>

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of January 8, 2026, the District's General Fund had a cash and temporary investment balance of approximately \$5,404,884. For the fiscal year ending June 30, 2026, the District's General Fund budget calls for revenues and expenditures of \$3,440,323 and \$1,917,008, respectively.

DISTRICT DEBT

1-1-2026 Estimated Taxable Value	\$622,299,237	(a)
2025 Certified Taxable Value	\$597,071,748	(b)
Direct Debt		
Outstanding Bonds (as of January 1, 2026)	\$45,735,000	
The Series 2026 Bonds	<u>\$6,300,000</u>	
Total Direct Debt	\$52,035,000	
Estimated Overlapping Debt	<u>\$66,575,800</u>	
Direct and Estimated Overlapping Debt	\$118,610,800	
Percentage of Direct Debt to:		
1-1-2026 Estimated Taxable Value	8.36%	
2025 Certified Taxable Value	8.72%	
Percentage of Direct Overlapping Debt to:		
1-1-2026 Estimated Taxable Value	19.06%	
2025 Certified Taxable Value	19.87%	
2025 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.43	
Maintenance Tax	<u>\$0.38</u>	
Total 2025 Tax Rate	\$0.81	

(a) The Estimated Taxable Value as of January 1, 2026, were prepared by MCAD and provided to the District. Such values are not binding on MCAD; the value added after January 1, 2026, will not be included on the District's tax roll until the 2026 tax roll is prepared and certified by MCAD during the second half of 2026. See "TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2025, Certified Taxable Values as provided to the District by MCAD and the District's Tax Assessor/Collector. See "TAXING PROCEDURES."

Estimated Overlapping Debt

The following table indicates the overlapping indebtedness as of January 1, 2026, defined as outstanding bonds payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District.

<u>Taxing Entity</u>	<u>Outstanding Debt</u>	<u>Estimated Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Montgomery County	\$505,915,000	0.55%	\$2,759,488
New Caney ISD	\$893,050,000	7.06%	\$63,067,832
Lone Star College System District	\$434,530,000	0.17%	<u>\$748,480</u>
Total Estimated Overlapping Debt			\$66,575,800
The District (a)			<u>\$52,035,000</u>
Total Direct & Estimated Overlapping Debt			\$118,610,800

(a) Includes the Bonds.

TAX DATA

Tax Rate and Collections

The following table sets forth the cumulative collection tax information of the District for the years 2021 through 2025 as of February 12, 2026. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u> (a)	<u>Year Ended</u>
2025	\$597,071,748	\$0.81	\$4,763,132	94.82% (b)	2026
2024	\$552,005,781	\$0.83	\$4,581,648	97.96%	2025
2023	\$556,998,654	\$0.83	\$4,623,089	99.44%	2024
2022	\$431,274,665	\$0.87	\$3,752,090	99.97%	2023
2021	\$248,881,633	\$0.90	\$2,239,935	99.95%	2022

(a) Represents tax collections as of February 12, 2026. According to the District's records the current tax collections have exceeded 95% each year since 2004.

(b) The 2025 taxes are in the process of collection; such taxes were due on or the tax collections as of February 1, 2026.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.43	\$0.45	\$0.62	\$0.65	\$0.67
Maintenance/Operation	<u>\$0.38</u>	<u>\$0.38</u>	<u>\$0.21</u>	<u>\$0.22</u>	<u>\$0.23</u>
Total	\$0.81	\$0.83	\$0.83	\$0.87	\$0.90

Tax Rate Limitations

Debt Service: Unlimited (no limit as to rate or amount)
 Maintenance: A maintenance tax of up to \$1.50 per \$100 assessed valuation has been authorized.

Maintenance Tax

The Board of Directors of the District has the authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued by the District in the future. The District's voters have authorized a maintenance tax of up to \$1.50 per \$100 of assessed valuation at an election held on February 1, 2003. In 2025, the District levied a maintenance tax of \$0.38 per \$100 of assessed valuation for operations and maintenance purposes.

Principal Taxpayers

The list of principal taxpayers for 2025 and the other information in this table were provided by the District’s Tax Assessor/Collector based on certified tax rolls net of any exemptions.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2025 Valuation</u>	<u>% Total</u>
Wal-Mart Real Estate Business Trust	Land, Improvements, Personal Property	\$109,834,609	18.40%
Polygon New Caney LLC (a)	Land and Improvements	\$94,250,000	15.79%
Lowe’s (b)	Personal Property	\$63,265,520	10.60%
DR Horton Texas Ltd.	Land, Improvements, Personal Property	\$16,134,429	2.70%
Keysteel LP	Land, Improvements, Personal Property	\$15,439,267	2.59%
Met Set Consulting USA Ltd	Land, Improvements, Personal Property	\$4,645,890	0.78%
E9 Capital LLC	Land, Improvements, Personal Property	\$4,603,096	0.77%
Future Frame	Personal Property	\$4,315,244	0.72%
Command Tubular Products LLC	Personal Property	\$4,156,267	0.70%
Law Investment Holdings LLC	Land and Improvements	<u>\$3,741,661</u>	<u>0.63%</u>
		\$320,385,983	53.66%

(a) Represents real property (land and building) that contains the Lowe’s personal property.

(b) Represents Lowe’s personal property in the Polygon building.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the exemptions for 2021 through 2025.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Assessed Valuations</u>	<u>Exemptions (a)</u>	<u>Taxable Valuations</u>
2025	\$92,700,764	\$352,230,374	\$203,057,690	\$647,988,828	\$50,917,080	\$597,071,748
2024	\$60,960,182	\$356,345,854	\$180,114,721	\$597,420,757	\$45,414,976	\$552,005,781
2023	\$51,843,876	\$356,126,050	\$200,845,580	\$608,815,506	\$51,816,852	\$556,998,654
2022	\$50,291,306	\$305,626,610	\$114,794,001	\$470,711,917	\$39,437,252	\$431,274,665
2021	\$33,629,082	\$119,200,510	\$112,009,367	\$264,838,959	\$15,957,326	\$248,881,633

(a) Substantially all the exemptions for each year represent timberland exemptions and various inventory personal property exemptions.

Tax Adequacy for Debt Service

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 1-1-2026 Estimated Taxable Valuation and the 2025 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District’s maximum annual debt service requirements after issuance of the Bonds.

Maximum annual debt service requirements on the District’s total indebtedness (2032).....	\$3,598,330
\$0.61 Tax Rate on 1-1-2026 Estimated Taxable Valuation of \$622,299,237 @ 95% collections produces	\$3,606,224
\$0.64 Tax Rate on 2025 Certified Taxable Valuation of \$597,071,748 @ 95% collections produces	\$3,630,196

Estimated Overlapping Taxes

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

<u>Taxing Jurisdictions</u>	<u>2025 Tax Rates</u>
New Caney ISD	\$1.2552
Montgomery County	\$0.3770
Montgomery County Hospital District	\$0.0473
Lone Star College System	\$0.1060
Montgomery Co. Emergency Service District No. 7	<u>\$0.1000</u>
Overlapping Taxes Total	\$1.8855
The District	<u>\$0.8100</u>
Estimated Total Tax Rate	\$2.6955

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and include other facilities (see "TAX DATA – Maintenance Tax") and for the payment of certain contractual obligations if authorized by the voters in the District.

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. 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 an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an 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 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").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State 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; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of \$3,000, or between \$5,000 and \$12,000 depending on the disability rating of the veteran, of taxable valuation. For the 2026 tax year, the District has decided to grant a \$10,000 exemption for both the elderly and the disabled in the District.

Additionally, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Effective January 1, 2018, this exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation, but not less than \$5,000 per homestead. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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. The adoption of a homestead exemption may be considered each year but must be adopted by July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: Freeport goods are goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, that have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within 175 days. Freeport goods are exempted from taxation by the District. A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

Montgomery County or the City of Conroe may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Conroe (after annexation), Montgomery County, New Caney Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. According to the District's Tax Assessor/Collector, no tax abatement agreements exist at this time with any property owners in the District.

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. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser 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 while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person has been granted an exemption under Section 11.13, of the Property Tax Code; requests an installment agreement; and has not entered into an installment agreement with the collector in the preceding 23 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months.

Effective January 1, 2018, property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, effective September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current

year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. 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 Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts. Districts that do not meet the classification of a Special Taxing Unit 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 rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2025 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "TAX DATA – Estimated Overlapping Taxes." 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the 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 Collections."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Strategic Partnership Agreement & Annexation by the City of Conroe

The District lies partially within the extraterritorial jurisdiction of the City of Conroe (the "City"). In accordance with Texas law, the District entered into a Strategic Partnership Agreement with the City, effective February 10, 2022 (the "SPA"). The SPA provides for limited purpose annexation of the District by the City at any time and full purpose annexation by the City any time on or after December 31, 2061. Upon limited purpose annexation, the City may impose within the District any sales and use tax imposed by the City within its full purpose

boundaries, subject to existing sales and use taxes imposed by other taxing authorities within the District. The District shall not be subject to ad valorem taxation by the City prior to full purpose annexation.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Notwithstanding the foregoing, upon limited purpose annexation of the District by the City in accordance with the SPA, the District may not transfer any District facilities to another party without the consent of the City. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

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. The law upon which Bond Counsel has based its opinion is subject to change by the Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the District file an information report with the Internal Revenue Service. The District has covenanted in the Bond Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain "S" Corporations with Subchapter C earnings and profits, 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 and individuals otherwise qualifying for the earned income credit. These categories of prospective purchasers should consult their tax advisors as to the applicability of these consequences.

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.

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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the

Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as “qualified tax-exempt obligations” and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2026.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

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.

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

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

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will

increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriters a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Marks Richardson PC ("Bond Counsel") to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and the legal opinion of Bond Counsel to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to the matters described in "TAX MATTERS" herein. See "TAX MATTERS." Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents legal judgment based upon the review of existing statutes, regulations, published rulings, court decisions, and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the Owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Legal Review

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "THE BONDS," "THE DISTRICT – General" and "Management – Bond Counsel," "TAXING PROCEDURES," "TAX MATTERS," and "LEGAL MATTERS – Legal Opinion" and "Legal Review" solely to determine whether such information fairly summarizes the procedures, laws, and documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Bond Counsel has reviewed the information appearing in the Official Statement under the caption "TAX MATTERS" solely to determine whether such information fairly summarizes the procedures, laws, and documents referred to therein. Bond Counsel has not however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Marks Richardson PC acts as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

NO-LITIGATION CERTIFICATE

On the date of delivery of the Bonds, the District will execute and deliver a certificate substantially to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

NO MATERIAL ADVERSE CHANGE

The obligation of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, subject to the condition (among certain other customary conditions) 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 financial condition of the District from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

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

Engineer: The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "USE OF BOND PROCEEDS," "DESCRIPTION OF THE SYSTEM," and "THE DISTRICT" has been provided by J. A. Costanza and Associates Engineering, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA", has been provided by the Montgomery Central Appraisal District and by Utility Tax Services, Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor: The financial statements of the District and the accompanying report by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, as shown in the Appendix A, has been published with the agreement of McCall Gibson Swedlund Barfoot Ellis PLLC.

Updating of Official Statement

For the period beginning on the date the Final Official Statement for the Bonds to be becomes available and ending on the ninety-first (91st) day after the "end of the underwriting period" as defined in SEC Rule 15c2-12(f)(2), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriters of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, to the effect that to the best of its knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in the Preliminary Official Statement and this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, in the Preliminary Official Statement and this Official Statement did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

This Official Statement was approved by the Board of Directors of East Montgomery County Municipal Utility District No. 3, as of the date shown on the cover page.

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**EAST MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT NO. 3
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JUNE 30, 2025**

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Montgomery County
Municipal Utility District No. 3
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of East Montgomery County Municipal Utility District No. 3 (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
East Montgomery County
Municipal Utility District No. 3

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

October 9, 2025

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

Management’s discussion and analysis of East Montgomery County Municipal Utility District No. 3’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$603,400 as of June 30, 2025.

A portion of the District’s net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire the assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2025</u>	<u>2024</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 16,805,990	\$ 15,371,692	\$ 1,434,298
Capital Assets (Net of Accumulated Depreciation)	<u>48,184,751</u>	<u>40,672,858</u>	<u>7,511,893</u>
Total Assets	<u>\$ 64,990,741</u>	<u>\$ 56,044,550</u>	<u>\$ 8,946,191</u>
Deferred Outflows of Resources	<u>\$ 246,665</u>	<u>\$ 300,512</u>	<u>\$ (53,847)</u>
Due to Developer	\$ 17,939,602	\$ 10,446,907	\$ (7,492,695)
Long -Term Liabilities	45,574,861	46,327,437	752,576
Other Liabilities	<u>2,326,343</u>	<u>2,476,944</u>	<u>150,601</u>
Total Liabilities	<u>\$ 65,840,806</u>	<u>\$ 59,251,288</u>	<u>\$ (6,589,518)</u>
Net Position:			
Net Investment in Capital Assets	\$ (11,747,344)	\$ (11,685,421)	\$ (61,923)
Restricted	5,487,008	5,395,485	91,523
Unrestricted	<u>5,656,936</u>	<u>3,383,710</u>	<u>2,273,226</u>
Total Net Position	<u>\$ (603,400)</u>	<u>\$ (2,906,226)</u>	<u>\$ 2,302,826</u>

The following table provides a summary of the District’s operations for the years ended June 30, 2025, and June 30, 2024.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2025</u>	<u>2024</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 4,591,430	\$ 4,601,576	\$ (10,146)
Charges for Services	1,649,148	1,194,677	454,471
Other Revenues	<u>728,628</u>	<u>673,390</u>	<u>55,238</u>
Total Revenues	<u>\$ 6,969,206</u>	<u>\$ 6,469,643</u>	<u>\$ 499,563</u>
Expenses for Services	<u>4,666,380</u>	<u>5,919,281</u>	<u>1,252,901</u>
Change in Net Position	\$ 2,302,826	\$ 550,362	\$ 1,752,464
Net Position, Beginning of Year	<u>(2,906,226)</u>	<u>(3,456,588)</u>	<u>550,362</u>
Net Position, End of Year	<u>\$ (603,400)</u>	<u>\$ (2,906,226)</u>	<u>\$ 2,302,826</u>

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of the fiscal year ended June 30, 2025, were \$15,756,427, an increase of \$1,676,351 from the prior year.

The General Fund fund balance increased by \$2,247,136, primarily due to property tax collections and operating revenue exceeding operating costs.

The Debt Service Fund fund balance increased by \$202,885 due to the structure of the District’s outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$773,670 due to capital expenditures from the proceeds of bonds issued in a previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated General Fund budget for the current fiscal year. Actual revenues were \$1,273,727 more than budgeted revenues. Actual expenditures were \$164,074 less than budgeted expenditures. This resulted in a positive budget variance of \$1,437,801. See the budget to actual comparison for further information.

CAPITAL ASSETS

The District’s capital assets as of June 30, 2025, amount to \$48,184,751 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,988,013	\$ 2,988,013	\$
Construction in Progress	1,296,768	9,813,829	(8,517,061)
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,716,526	4,104,178	612,348
Wastewater System	16,698,006	6,093,418	10,604,588
Drainage System	22,485,438	17,673,420	4,812,018
Total Net Capital Assets	\$ 48,184,751	\$ 40,672,858	\$ 7,511,893

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

LONG-TERM DEBT ACTIVITY

As of June 30, 2025, the District had total bond debt payable in the amount of \$46,495,000. The changes in the debt position of the District during the fiscal year ended June 30, 2025, are summarized as follows:

Bond Debt Payable, July 1, 2024	\$ 47,255,000
Less: Bond Principal Paid	<u>760,000</u>
Bond Debt Payable, June 30, 2025	<u>\$ 46,495,000</u>

The District’s Series 2023 and Series 2024 bonds carry an underlying rating of “Baa2” from Moody’s. The Series 2021A, Series 2022, Series 2023 and Series 2024 bonds carry an “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company. The District’s other bonds are not rated.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East Montgomery County Municipal Utility District No. 3, c/o Marks Richardson PC, 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 186,950	\$ 35,802
Investments	5,322,276	6,043,571
Receivables:		
Property Taxes	71,964	100,956
Service Accounts	349,354	
Due from Other Funds		17,132
Prepaid Costs	69,361	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,999,905	\$ 6,197,461
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunded Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,999,905	\$ 6,197,461

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 495	\$ 223,247	\$	\$ 223,247
4,625,261	15,991,108		15,991,108
	172,920		172,920
	349,354		349,354
	17,132	(17,132)	
	69,361		69,361
		2,988,013	2,988,013
		1,296,768	1,296,768
		43,899,970	43,899,970
\$ 4,625,756	\$ 16,823,122	\$ 48,167,619	\$ 64,990,741
\$ - 0 -	\$ - 0 -	\$ 246,665	\$ 246,665
\$ 4,625,756	\$ 16,823,122	\$ 48,414,284	\$ 65,237,406

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

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 191,802	\$
Accrued Interest Payable		
Due to Taxpayers		11,933
Due to Developer	8,820	
Due to Other Funds	17,132	
Security Deposits	111,940	
Unearned Tap Revenue	13,275	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 342,969	\$ 11,933
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 71,964	\$ 100,956
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 69,361	\$
Restricted for Authorized Construction		
Restricted for Debt Service		6,084,572
Unassigned	5,515,611	
TOTAL FUND BALANCES	\$ 5,584,972	\$ 6,084,572
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,999,905	\$ 6,197,461
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 538,873	\$ 730,675	\$	\$ 730,675
		698,520	698,520
	11,933		11,933
	8,820	17,930,782	17,939,602
	17,132	(17,132)	
	111,940		111,940
	13,275		13,275
		760,000	760,000
		<u>45,574,861</u>	<u>45,574,861</u>
<u>\$ 538,873</u>	<u>\$ 893,775</u>	<u>\$ 64,947,031</u>	<u>\$ 65,840,806</u>
<u>\$ - 0 -</u>	<u>\$ 172,920</u>	<u>\$ (172,920)</u>	<u>\$ - 0 -</u>
\$	\$ 69,361	\$ (69,361)	\$
4,086,883	4,086,883	(4,086,883)	
	6,084,572	(6,084,572)	
	<u>5,515,611</u>	<u>(5,515,611)</u>	
<u>\$ 4,086,883</u>	<u>\$ 15,756,427</u>	<u>\$ (15,756,427)</u>	<u>\$ - 0 -</u>
<u>\$ 4,625,756</u>	<u>\$ 16,823,122</u>		
		\$ (11,747,344)	\$ (11,747,344)
		5,487,008	5,487,008
		<u>5,656,936</u>	<u>5,656,936</u>
		<u>\$ (603,400)</u>	<u>\$ (603,400)</u>

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

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds \$ 15,756,427

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

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 48,184,751

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 246,665

Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District. 172,920

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$(17,930,782)	
Accrued Interest Payable	(698,520)	
Bonds Payable	<u>(46,334,861)</u>	<u>(64,964,163)</u>

Total Net Position - Governmental Activities \$ (603,400)

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

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,074,354	\$ 2,525,428
Water Service	395,070	
Wastewater Service	312,818	
Surface Water Revenues	354,760	
Penalty and Interest	238,157	43,678
Tap Connection and Inspection Fees	304,665	
Investment Revenues	190,364	250,567
Miscellaneous Revenues	20,844	35,162
TOTAL REVENUES	\$ 3,891,032	\$ 2,854,835
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 196,874	\$ 34,597
Contracted Services	201,160	53,469
Utilities	103,296	
Surface Water Fees	332,252	
Repairs and Maintenance	454,457	
Depreciation		
Other	355,857	6,544
Capital Outlay		
Debt Service:		
Bond Principal		760,000
Bond Interest		1,797,340
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 1,643,896	\$ 2,651,950
NET CHANGE IN FUND BALANCES	\$ 2,247,136	\$ 202,885
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2024	3,337,836	5,881,687
FUND BALANCES/NET POSITION - JUNE 30, 2025	\$ 5,584,972	\$ 6,084,572

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 4,599,782	\$ (8,352)	\$ 4,591,430
	395,070		395,070
	312,818		312,818
	354,760		354,760
	281,835		281,835
	304,665		304,665
231,691	672,622		672,622
	56,006		56,006
<u>\$ 231,691</u>	<u>\$ 6,977,558</u>	<u>\$ (8,352)</u>	<u>\$ 6,969,206</u>
\$	\$ 231,471	\$	\$ 231,471
	254,629		254,629
	103,296		103,296
	332,252		332,252
	454,457		454,457
		988,525	988,525
80	362,481		362,481
1,001,543	1,001,543	(1,001,543)	
	760,000	(760,000)	
	1,797,340	138,191	1,935,531
3,738	3,738		3,738
<u>\$ 1,005,361</u>	<u>\$ 5,301,207</u>	<u>\$ (634,827)</u>	<u>\$ 4,666,380</u>
\$ (773,670)	\$ 1,676,351	\$ (1,676,351)	\$
		2,302,826	2,302,826
<u>4,860,553</u>	<u>14,080,076</u>	<u>(16,986,302)</u>	<u>(2,906,226)</u>
<u>\$ 4,086,883</u>	<u>\$ 15,756,427</u>	<u>\$ (16,359,827)</u>	<u>\$ (603,400)</u>

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

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Governmental Funds	\$ 1,676,351
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>	(8,352)
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>	(988,525)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>	1,001,543
<p>Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.</p>	760,000
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.</p>	<u>(138,191)</u>
Change in Net Position - Governmental Activities	<u>\$ 2,302,826</u>

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

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. CREATION OF DISTRICT

East Montgomery County Municipal Utility District No. 3 of Montgomery County, Texas (the “District”) was created on June 16, 2001, by Senate Bill 1784, as passed by the 77th Legislature of the State of Texas. The District is subject to the supervision and oversight of the Texas Natural Resource Conservation Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 26, 2002, and the first bonds were issued on September 19, 2007.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net assets into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund – To account for property tax revenues for debt service and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their would be acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

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

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

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

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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

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

Unassigned: all other spendable amounts in the General Fund.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2015 Refunding	Series 2015A
Amount Outstanding – June 30, 2025	\$2,645,000	\$2,775,000
Interest Rates	3.50% - 4.10%	3.25% - 4.125%
Maturity Date	August 15, 2025/2034	August 15, 2025/2042
Interest Payment Dates	August 15/ February 15	August 15/ February 15
Callable Dates	August 15, 2022*	August 15, 2022*

* Or on any date thereafter, callable at par plus unpaid accrued interest to the date of redemption in whole or in part at the option of the District. Refunding Series 2015 term bonds due August 15, 2030, 2032 and 2034 are subject to mandatory redemption at a price of par plus accrued interest beginning on August 15, 2029, 2031 and 2033, respectively. Series 2015A term bonds due August 15, 2035, 2039 and 2042 are subject to mandatory redemption at a price of par plus accrued interest beginning on August 15, 2033, 2037 and 2040, respectively.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2020 Refunding</u>	<u>Series 2021</u>	<u>Series 2021A</u>
Amount Outstanding— June 30, 2025	\$3,005,000	\$8,860,000	\$7,010,000
Interest Rates	2.00% - 3.00%	2.00% - 3.00%	2.50% - 4.50%
Maturity Date	August 15, 2025/2039	August 15, 2028/2050	August 15, 2028/2050
Interest Payment Dates	August 15/ February 15	August 15/ February 15	August 15/ February 15
Callable Dates	August 15, 2025*	August 15, 2028*	August 15, 2028*
	<u>Series 2022</u>	<u>Series 2023</u>	<u>Series 2024</u>
Amount Outstanding— June 30, 2025	\$12,650,000	\$4,900,000	\$4,650,000
Interest Rates	4.375% - 6.875%	5.00% - 7.50%	4.00% - 6.50%
Maturity Date	August 15, 2028/2050	August 15, 2028/2053	August 15, 2029/2053
Interest Payment Dates	August 15/ February 15	August 15/ February 15	August 15/ February 15
Callable Dates	August 15, 2027*	August 15, 2028*	August 15, 2029*

* Or on any date thereafter, callable at par plus unpaid accrued interest to the date of redemption in whole or in part at the option of the District. Refunding Series 2020 term bonds due August 15, 2036 and 2039 are subject to mandatory redemption at a price of par plus accrued interest beginning on August 15, 2035 and 2037, respectively. Series 2021 term bonds due August 15, 2031, 2038, 2041, 2046, 2048 and 2050 are subject to mandatory redemption at a price of par plus accrued interest beginning on August 15, 2030, 2037, 2039, 2042, 2047 and 2049, respectively. Series 2021A term bonds due August 15, 2035, 2037 and 2050 are subject to mandatory redemption at a price of par plus accrued interest beginning on August 15, 2034, 2036 and 2038, respectively. Series 2022 term bonds due August 15, 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2043, 2045, 2047 and 2050 are subject to mandatory redemption at a price of par plus accrued interest beginning August 15, 2028, 2030, 2032, 2034, 2036, 2038, 2040, 2042, 2044, 2046 and 2048, respectively. Series 2023 term bonds due August 15, 2036, 2038, 2051 and 2053 are subject to mandatory redemption at a price of par plus accrued interest beginning August 15, 2035, 2037, 2050 and 2052, respectively. Series 2024 term bonds due August 15, 2033, 2036, 2039, 2041, 2043, 2045, 2047, 2050 and 2053 are subject to mandatory redemption at a price of par plus accrued interest beginning August 15, 2032, 2034, 2037, 2040, 2042, 2044, 2046, 2048 and 2051, respectively.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2025:

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	\$ 47,255,000	\$	\$ 760,000	\$ 46,495,000
Unamortized Discounts	(293,318)		(11,760)	(281,558)
Unamortized Premiums	125,755		4,336	121,419
Bonds Payable, net	\$ 47,087,437	\$ -0-	\$ 752,576	\$ 46,334,861
		Amount Due Within One Year		\$ 760,000
		Amount Due After One Year		45,574,861
		Bonds Payable, net		\$ 46,334,861

As of June 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 760,000	\$ 1,850,671	\$ 2,610,671
2027	795,000	1,825,263	2,620,263
2028	805,000	1,798,061	2,603,061
2029	1,315,000	1,753,595	3,068,595
2030	1,450,000	1,690,052	3,140,052
2031-2035	8,210,000	7,383,646	15,593,646
2036-2040	9,270,000	5,573,719	14,843,719
2041-2045	9,270,000	3,759,579	13,029,579
2046-2050	10,455,000	1,916,053	12,371,053
2051-2054	4,165,000	267,151	4,432,151
	\$ 46,495,000	\$ 27,817,790	\$ 74,312,790

As of June 30, 2025, the District had authorized but unissued tax bonds in the amount of \$108,055,000 and refunding bonds authorized but unissued of \$58,420,000. On November 8, 2016, the residents of the District voted to authorize the issuance of park bonds in the amount of \$20,000,000 and road bonds in the amount of \$16,825,000. The park and road bonds remained authorized but unissued at year-end.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended June 30, 2025, the District levied an ad valorem debt service tax rate of \$0.45 per \$100 of assessed valuation, which resulted in a tax levy of \$2,484,959 on the adjusted taxable valuation of \$552,213,094 for the 2024 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$223,247 and the bank balance was \$256,619. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2025, as listed below:

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash
GENERAL FUND	\$ 186,950
DEBT SERVICE FUND	35,802
CAPITAL PROJECTS FUND	495
TOTAL DEPOSITS	\$ 223,247

Investments

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

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

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

As of June 30, 2025, the District had the following investments and maturities:

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 5,322,276	\$ 5,322,276
<u>DEBT SERVICE FUND</u>		
Texas CLASS	6,043,571	6,043,571
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>4,625,261</u>	<u>4,625,261</u>
TOTAL INVESTMENTS	<u>\$15,991,108</u>	<u>\$ 15,991,108</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025, the District’s investment in Texas CLASS was rated AAAM by Standard and Poor’s.

Interest rate risk is the changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025:

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,988,013	\$	\$	\$ 2,988,013
Construction in Progress	<u>9,813,829</u>	<u>8,500,418</u>	<u>17,017,479</u>	<u>1,296,768</u>
Total Capital Assets Not Being Depreciated	<u>\$ 12,801,842</u>	<u>\$ 8,500,418</u>	<u>\$ 17,017,479</u>	<u>\$ 4,284,781</u>
Capital Assets Subject to Depreciation				
Water System	\$ 7,805,916	\$ 860,860	\$	\$ 8,666,776
Wastewater System	7,663,754	10,823,489		18,487,243
Drainage System	21,088,987	5,333,130		26,422,117
Leasehold Improvements	<u>77,741</u>			<u>77,741</u>
Total Capital Assets Subject to Depreciation	<u>\$ 36,636,398</u>	<u>\$ 17,017,479</u>	<u>\$ - 0 -</u>	<u>\$ 53,653,877</u>
Accumulated Depreciation				
Water System	\$ 3,701,738	\$ 248,512	\$	\$ 3,950,250
Wastewater System	1,570,336	218,901		1,789,237
Drainage System	3,415,567	521,112		3,936,679
Leasehold Improvements	<u>77,741</u>			<u>77,741</u>
Total Accumulated Depreciation	<u>\$ 8,765,382</u>	<u>\$ 988,525</u>	<u>\$ - 0 -</u>	<u>\$ 9,753,907</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,871,016</u>	<u>\$ 16,028,954</u>	<u>\$ - 0 -</u>	<u>\$ 43,899,970</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 40,672,858</u>	<u>\$ 24,529,372</u>	<u>\$ 17,017,479</u>	<u>\$ 48,184,751</u>

NOTE 7. MAINTENANCE TAX

On February 1, 2003, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended June 30, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.38 per \$100 of assessed valuation, which resulted in a tax levy of \$2,098,410 on the adjusted taxable valuation of \$552,213,094 for the 2024 tax year.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8. RISK MANAGEMENT

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

NOTE 9. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Conservation District was created to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 36.055 of the Water Code.

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The current permit fee is \$0.085 per 1,000 gallons of water pumped from each well. During the current fiscal year, the District recorded an expenditure of \$14,025 for groundwater conservation fees.

NOTE 10. SAN JACINTO RIVER AUTHORITY

On June 29, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the “Authority”). The District and the Authority operate within the boundaries of the Conservation District. See Note 10. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the “Project”) is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority’s surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the “GRP”) for all participants. The Authority charges a fee, currently \$2.67 per 1,000 gallons, based on the amount of groundwater and surface water used. This fee enables the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of \$332,252 in relation to this contract.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

As of June 30, 2025, the General Fund owed the Debt Service Fund \$17,132 for an excess transfer of maintenance tax collections.

NOTE 12. UNREIMBURSED COSTS

In accordance with the terms of development financing agreements, Developers within the District have made expenditures on behalf of the District for water, wastewater and drainage facilities for which the District has not sold bonds. Reimbursement to the Developers for these projects is contingent upon approval by the Commission and the future sale of bonds. As of June 30, 2025, the District has recorded an amount of \$17,930,782 due to the Developers for completed projects.

The following table summarizes the current year activity related to unreimbursed Developer costs for completed projects:

Due to Developers, beginning of year	\$ 10,431,907
Additions	<u>7,498,875</u>
Due to Developers, end of year	<u>\$ 17,930,782</u>

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

The District lies partially within the extraterritorial jurisdiction of the City of Conroe (the “City”). In accordance with Texas law, the District entered into a Strategic Partnership Agreement with the City, effective February 10, 2022 (the “SPA”). The SPA provides for limited purpose annexation of the District by the City at any time and full purpose annexation by the City any time on or after December 31, 2061. Upon limited purpose annexation, the City may impose within the District any sales and use tax imposed by the City within its full purpose boundaries, subject to existing sales and use taxes imposed by other taxing authorities within the District. The District shall not be subject to ad valorem taxation by the City prior to full purpose annexation.

**EAST MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT NO. 3**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,183,350	\$ 2,074,354	\$ 891,004
Water Service	350,000	395,070	45,070
Wastewater Service	255,000	312,818	57,818
Surface Water Revenues	400,000	354,760	(45,240)
Penalty and Interest	62,400	238,157	175,757
Tap Connection and Inspection Fees	160,000	304,665	144,665
Investment Revenues	145,055	190,364	45,309
Miscellaneous Revenues	<u>61,500</u>	<u>20,844</u>	<u>(40,656)</u>
TOTAL REVENUES	<u>\$ 2,617,305</u>	<u>\$ 3,891,032</u>	<u>\$ 1,273,727</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 204,100	\$ 196,874	\$ 7,226
Contracted Services	269,000	201,160	67,840
Utilities	80,200	103,296	(23,096)
Surface Water Fees	380,000	332,252	47,748
Repairs and Maintenance	475,000	454,457	20,543
Other	<u>399,670</u>	<u>355,857</u>	<u>43,813</u>
TOTAL EXPENDITURES	<u>\$ 1,807,970</u>	<u>\$ 1,643,896</u>	<u>\$ 164,074</u>
NET CHANGE IN FUND BALANCE	\$ 809,335	\$ 2,247,136	\$ 1,437,801
FUND BALANCE - JULY 1, 2024	<u>3,337,836</u>	<u>3,337,836</u>	<u>_____</u>
FUND BALANCE - JUNE 30, 2025	<u>\$ 4,147,171</u>	<u>\$ 5,584,972</u>	<u>\$ 1,437,801</u>

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT NO. 3**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JUNE 30, 2025

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025**

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES ARE BASED ON A COMMERCIAL METER:

Based on the rate order approved on December 10, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	5,000	N	\$ 1.25 \$ 2.00 \$ 2.50	5,001 to 15,000 15,001 to 30,000 30,001 and up
WASTEWATER (SEWER):	\$ 25.00		Y		
SURCHARGE:					
Lone Star Groundwater Conservation District			N	\$ 0.085	1,000 and up
San Jacinto River Authority			N	\$2.67	1,000 and up
Commission Regulatory Assessments	0.5% of actual water and sewer bill				
District employs winter averaging for wastewater usage?					<u> </u> <u> X </u> Yes No

Total monthly charges per 10,000 gallons usage: Water: \$26.25 Wastewater: \$25.00 Surcharge: \$27.81 Total: \$79.06

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>883</u>	<u>883</u>	x 1.0	<u>883</u>
1"	<u>22</u>	<u>22</u>	x 2.5	<u>55</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>28</u>	<u>28</u>	x 8.0	<u>224</u>
3"			x 15.0	
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>942</u>	<u>942</u>		<u>1,382</u>
Total Wastewater Connections	<u>905</u>	<u>905</u>	x 1.0	<u>905</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system: 139,764,000 Water Accountability Ratio: 99.6 %
 (Gallons billed/Gallons pumped)

Gallons billed to customers: 139,183,000

See accompanying independent auditor’s report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

Partially in City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025**

PROFESSIONAL FEES:	
Auditing	\$ 17,500
Engineering	74,857
Legal	<u>104,517</u>
TOTAL PROFESSIONAL FEES	<u>\$ 196,874</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 69,781
Operations and Billing	<u>54,065</u>
TOTAL CONTRACTED SERVICES	<u>\$ 123,846</u>
UTILITIES:	
Electricity	\$ 99,616
Telephone	<u>3,680</u>
TOTAL UTILITIES	<u>\$ 103,296</u>
REPAIRS AND MAINTENANCE	<u>\$ 454,457</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, including payroll taxes and fees	\$ 14,274
Insurance	29,891
Office Supplies and Postage	6,641
Travel and Meetings	2,249
Website	5,972
Other	<u>17,037</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 76,064</u>

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025**

TAP CONNECTIONS	\$ <u>105,255</u>
SECURITY	\$ <u>77,314</u>
OTHER EXPENDITURES:	
Chemicals	\$ 27,219
Groundwater Conservation District Assessment	14,025
Laboratory Fees	31,873
Permit Fees	1,994
Inspection Fees	16,775
Regulatory Assessment	4,416
Sludge Hauling	78,236
Surface Water Fees	<u>332,252</u>
TOTAL OTHER EXPENDITURES	\$ <u>506,790</u>
TOTAL EXPENDITURES	\$ <u><u>1,643,896</u></u>

See accompanying independent auditor’s report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
INVESTMENTS
JUNE 30, 2025

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 5,322,276	\$ -0-
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 6,043,571	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 165,130	\$
Texas CLASS	XXXX0006	Varies	Daily	518,946	
Texas CLASS	XXXX0007	Varies	Daily	907,175	
Texas CLASS	XXXX0009	Varies	Daily	861,685	
Texas CLASS	XXXX0011	Varies	Daily	108,362	
Texas CLASS	XXXX0012	Varies	Daily	<u>2,063,963</u>	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 4,625,261</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 15,991,108</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2024	\$	45,874	\$	135,398
Adjustments to Beginning				
Balance		<u>2,034</u>	\$	<u>6,027</u>
		\$	47,908	\$
				141,425
Original 2024 Tax Levy	\$	2,040,678	\$	2,416,593
Adjustment to 2024 Tax Levy		<u>57,732</u>	<u>2,098,410</u>	<u>68,366</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	2,146,318	\$
				2,626,384
TAX COLLECTIONS:				
Prior Years	\$	38,997	\$	115,137
Current Year		<u>2,035,357</u>	<u>2,074,354</u>	<u>2,410,291</u>
				2,525,428
TAXES RECEIVABLE -				
JUNE 30, 2025		<u>\$</u>	<u>71,964</u>	<u>\$</u>
				<u>100,956</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	63,053	\$	74,668
2023		8,365		24,698
2022		276		814
2021		265		770
2010		<u>5</u>		<u>6</u>
TOTAL	\$	<u>71,964</u>	\$	<u>100,956</u>

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025**

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	\$ 60,909,300	\$ 52,353,996	\$ 53,591,646	\$ 34,925,262
Improvements	353,639,143	339,170,440	306,716,600	119,156,680
Personal Property	180,112,466	200,027,765	114,794,001	112,009,367
Exemptions	<u>(42,447,815)</u>	<u>(53,110,479)</u>	<u>(41,772,733)</u>	<u>(17,103,563)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 552,213,094</u>	<u>\$ 538,441,722</u>	<u>\$ 433,329,514</u>	<u>\$ 248,987,746</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.45	\$ 0.62	\$ 0.65	\$ 0.67
Maintenance	<u>0.38</u>	<u>0.21</u>	<u>0.22</u>	<u>0.23</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.83</u>	<u>\$ 0.83</u>	<u>\$ 0.87</u>	<u>\$ 0.90</u>
ADJUSTED TAX LEVY*	<u>\$ 4,583,369</u>	<u>\$ 4,614,784</u>	<u>\$ 3,769,967</u>	<u>\$ 2,241,845</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.00 %</u>	<u>99.28 %</u>	<u>99.97 %</u>	<u>99.95 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on February 1, 2003.

See accompanying independent auditor’s report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

REFUNDING SERIES - 2015

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$ 510,000	\$ 91,153	\$ 601,153
2027	545,000	72,145	617,145
2028	560,000	51,564	611,564
2029	145,000	38,255	183,255
2030	140,000	32,715	172,715
2031	135,000	27,352	162,352
2032	135,000	22,020	157,020
2033	155,000	16,220	171,220
2034	160,000	9,840	169,840
2035	160,000	3,280	163,280
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
	<u>\$ 2,645,000</u>	<u>\$ 364,544</u>	<u>\$ 3,009,544</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 1 5 A

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$ 100,000	\$ 107,688	\$ 207,688
2027	100,000	104,363	204,363
2028	100,000	100,912	200,912
2029	125,000	96,850	221,850
2030	125,000	92,194	217,194
2031	125,000	87,475	212,475
2032	125,000	82,725	207,725
2033	150,000	77,425	227,425
2034	150,000	71,500	221,500
2035	150,000	65,500	215,500
2036	150,000	59,500	209,500
2037	175,000	53,000	228,000
2038	175,000	45,891	220,891
2039	175,000	38,672	213,672
2040	200,000	30,938	230,938
2041	200,000	22,688	222,688
2042	225,000	13,922	238,922
2043	225,000	4,641	229,641
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
	<u>\$ 2,775,000</u>	<u>\$ 1,155,884</u>	<u>\$ 3,930,884</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

REFUNDING SERIES - 2020

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$ 150,000	\$ 79,185	\$ 229,185
2027	150,000	76,110	226,110
2028	145,000	72,940	217,940
2029	170,000	69,390	239,390
2030	165,000	65,455	230,455
2031	185,000	61,163	246,163
2032	185,000	56,538	241,538
2033	180,000	51,863	231,863
2034	200,000	46,750	246,750
2035	200,000	41,125	241,125
2036	220,000	34,950	254,950
2037	240,000	28,050	268,050
2038	260,000	20,550	280,550
2039	280,000	12,450	292,450
2040	275,000	4,125	279,125
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
	<u>\$ 3,005,000</u>	<u>\$ 720,643</u>	<u>\$ 3,725,643</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 1

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$	\$ 248,488	\$ 248,488
2027		248,488	248,488
2028		248,488	248,488
2029	240,000	244,888	484,888
2030	250,000	238,788	488,788
2031	275,000	233,194	508,194
2032	300,000	226,725	526,725
2033	300,000	219,975	519,975
2034	300,000	213,038	513,038
2035	325,000	205,413	530,413
2036	325,000	197,288	522,288
2037	350,000	188,631	538,631
2038	350,000	179,225	529,225
2039	375,000	169,256	544,256
2040	375,000	158,475	533,475
2041	400,000	146,850	546,850
2042	400,000	134,850	534,850
2043	425,000	122,475	547,475
2044	425,000	109,725	534,725
2045	450,000	96,600	546,600
2046	450,000	83,100	533,100
2047	475,000	69,225	544,225
2048	500,000	54,600	554,600
2049	500,000	39,600	539,600
2050	525,000	24,225	549,225
2051	545,000	8,175	553,175
2052			
2053			
2054			
	<u>\$ 8,860,000</u>	<u>\$ 4,109,785</u>	<u>\$ 12,969,785</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 1 A

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$	\$ 207,044	\$ 207,044
2027		207,044	207,044
2028		207,044	207,044
2029	185,000	202,881	387,881
2030	225,000	194,219	419,219
2031	225,000	184,656	409,656
2032	225,000	174,531	399,531
2033	250,000	163,844	413,844
2034	250,000	152,594	402,594
2035	250,000	143,844	393,844
2036	275,000	137,281	412,281
2037	275,000	130,406	405,406
2038	275,000	123,531	398,531
2039	300,000	116,156	416,156
2040	300,000	108,281	408,281
2041	300,000	100,406	400,406
2042	325,000	92,203	417,203
2043	325,000	83,672	408,672
2044	350,000	74,813	424,813
2045	350,000	65,625	415,625
2046	350,000	56,438	406,438
2047	375,000	46,922	421,922
2048	375,000	37,078	412,078
2049	400,000	26,906	426,906
2050	400,000	16,406	416,406
2051	425,000	5,578	430,578
2052			
2053			
2054			
	<u>\$ 7,010,000</u>	<u>\$ 3,059,403</u>	<u>\$ 10,069,403</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$	\$ 648,188	\$ 648,188
2027		648,188	648,188
2028		648,188	648,188
2029	350,000	636,156	986,156
2030	350,000	612,094	962,094
2031	350,000	588,031	938,031
2032	375,000	563,109	938,109
2033	400,000	537,219	937,219
2034	425,000	510,406	935,406
2035	425,000	483,313	908,313
2036	450,000	455,969	905,969
2037	475,000	427,656	902,656
2038	500,000	398,406	898,406
2039	500,000	370,906	870,906
2040	525,000	345,281	870,281
2041	550,000	319,781	869,781
2042	575,000	294,469	869,469
2043	600,000	268,031	868,031
2044	625,000	240,469	865,469
2045	650,000	212,188	862,188
2046	675,000	183,203	858,203
2047	700,000	153,125	853,125
2048	750,000	121,406	871,406
2049	775,000	88,047	863,047
2050	800,000	53,594	853,594
2051	825,000	18,047	843,047
2052			
2052			
2054			
	<u>\$ 12,650,000</u>	<u>\$ 9,825,470</u>	<u>\$ 22,475,470</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 3

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$	\$ 259,781	\$ 259,781
2027		259,781	259,781
2028		259,781	259,781
2029	100,000	256,031	356,031
2030	100,000	248,531	348,531
2031	100,000	241,031	341,031
2032	100,000	233,531	333,531
2033	125,000	225,094	350,094
2034	125,000	217,203	342,203
2035	125,000	210,875	335,875
2036	125,000	204,625	329,625
2037	150,000	197,750	347,750
2038	150,000	190,250	340,250
2039	150,000	182,750	332,750
2040	175,000	174,625	349,625
2041	175,000	165,875	340,875
2042	175,000	157,125	332,125
2043	200,000	147,750	347,750
2044	200,000	137,750	337,750
2045	200,000	127,750	327,750
2046	225,000	117,125	342,125
2047	225,000	105,875	330,875
2048	250,000	94,000	344,000
2049	250,000	81,500	331,500
2050	275,000	68,375	343,375
2051	275,000	54,453	329,453
2052	300,000	39,719	339,719
2053	300,000	24,344	324,344
2054	325,000	8,328	333,328
	<u>\$ 4,900,000</u>	<u>\$ 4,691,608</u>	<u>\$ 9,591,608</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 4

Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$	\$ 209,144	\$ 209,144
2027		209,144	209,144
2028		209,144	209,144
2029		209,144	209,144
2030	95,000	206,056	301,056
2031	100,000	199,969	299,969
2032	105,000	193,819	298,819
2033	115,000	187,219	302,219
2034	120,000	180,169	300,169
2035	125,000	174,069	299,069
2036	130,000	168,969	298,969
2037	135,000	163,669	298,669
2038	145,000	158,069	303,069
2039	150,000	152,169	302,169
2040	160,000	145,969	305,969
2041	165,000	139,263	304,263
2042	175,000	132,038	307,038
2043	185,000	124,388	309,388
2044	195,000	116,313	311,313
2045	200,000	107,919	307,919
2046	215,000	99,100	314,100
2047	225,000	89,609	314,609
2048	235,000	79,547	314,547
2049	245,000	69,047	314,047
2050	260,000	58,000	318,000
2051	270,000	46,406	316,406
2052	285,000	34,088	319,088
2053	300,000	20,925	320,925
2054	315,000	7,088	322,088
	<u>\$ 4,650,000</u>	<u>\$ 3,890,453</u>	<u>\$ 8,540,453</u>

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 760,000	\$ 1,850,671	\$ 2,610,671
2027	795,000	1,825,263	2,620,263
2028	805,000	1,798,061	2,603,061
2029	1,315,000	1,753,595	3,068,595
2030	1,450,000	1,690,052	3,140,052
2031	1,495,000	1,622,871	3,117,871
2032	1,550,000	1,552,998	3,102,998
2033	1,675,000	1,478,859	3,153,859
2034	1,730,000	1,401,500	3,131,500
2035	1,760,000	1,327,419	3,087,419
2036	1,675,000	1,258,582	2,933,582
2037	1,800,000	1,189,162	2,989,162
2038	1,855,000	1,115,922	2,970,922
2039	1,930,000	1,042,359	2,972,359
2040	2,010,000	967,694	2,977,694
2041	1,790,000	894,863	2,684,863
2042	1,875,000	824,607	2,699,607
2043	1,960,000	750,957	2,710,957
2044	1,795,000	679,070	2,474,070
2045	1,850,000	610,082	2,460,082
2046	1,915,000	538,966	2,453,966
2047	2,000,000	464,756	2,464,756
2048	2,110,000	386,631	2,496,631
2049	2,170,000	305,100	2,475,100
2050	2,260,000	220,600	2,480,600
2051	2,340,000	132,659	2,472,659
2052	585,000	73,807	658,807
2053	600,000	45,269	645,269
2054	640,000	15,416	655,416
	<u>\$ 46,495,000</u>	<u>\$ 27,817,790</u>	<u>\$ 74,312,790</u>

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Refunding Bonds - Series 2015	\$ 6,070,000	\$ 3,150,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds - Series 2015A	3,300,000	2,875,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Refunding Bonds - Series 2020	3,455,000	3,160,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds - Series 2021	8,860,000	8,860,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds - Series 2021A	7,010,000	7,010,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds - Series 2022	12,650,000	12,650,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds - Series 2023	4,900,000	4,900,000	
East Montgomery County Municipal Utility District No. 3 Unlimited Tax Bonds - Series 2024	4,650,000	4,650,000	
TOTAL	\$ 50,895,000	\$ 47,255,000	
Bond Authority:	Tax Bonds	Refunding Bonds	Park Bonds
Amount Authorized by Voters	\$ 161,350,000	\$ 58,600,000	\$ 20,000,000
Amount Issued	53,295,000	180,000	
Remaining to be Issued	<u>\$ 108,055,000</u>	<u>\$ 58,420,000</u>	<u>\$ 20,000,000</u>

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2025</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 505,000	\$ 108,285	\$ 2,645,000	Amegy Bank National Association Houston, TX
	100,000	110,862	2,775,000	Amegy Bank National Association Houston, TX
	155,000	82,235	3,005,000	Amegy Bank National Association Houston, TX
		248,487	8,860,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		207,044	7,010,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		648,188	12,650,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		259,781	4,900,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		132,458	4,650,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 760,000</u>	<u>\$ 1,797,340</u>	<u>\$ 46,495,000</u>	
<u>Road Bonds</u>				
\$ 16,825,000				
<u>\$ 16,825,000</u>				

See accompanying independent auditor's report.

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025**

Debt Service Fund cash, investments and cash with paying agent balances as of June 30, 2025:	<u>\$ 6,079,373</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,562,510</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 2,074,354	\$ 1,159,084	\$ 913,686
Water Service	395,070	367,849	305,442
Wastewater Service	312,818	267,906	258,506
Surface Water Revenues	354,760	382,605	315,593
Penalty and Interest	238,157	60,481	22,796
Tap Connection and Inspection Fees	304,665	55,583	139,195
Investment Revenues	190,364	137,613	86,757
Miscellaneous Revenues	20,844	42,243	36,814
TOTAL REVENUES	\$ 3,891,032	\$ 2,473,364	\$ 2,078,789
EXPENDITURES			
Professional Fees	\$ 196,874	\$ 202,099	\$ 173,243
Contracted Services	201,160	215,680	216,290
Utilities	103,296	77,916	73,769
Surface Water Fees	332,252	354,235	387,938
Repairs and Maintenance	454,457	364,730	272,481
Other	355,857	318,393	297,200
Capital Outlay	_____	34,358	182,290
TOTAL EXPENDITURES	\$ 1,643,896	\$ 1,567,411	\$ 1,603,211
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,247,136	\$ 905,953	\$ 475,578
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 2,247,136	\$ 905,953	\$ 475,578
BEGINNING FUND BALANCE	3,337,836	2,431,883	1,956,305
ENDING FUND BALANCE	\$ 5,584,972	\$ 3,337,836	\$ 2,431,883

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 572,058	\$ 450,334	53.4 %	46.9 %	43.9 %	34.1 %	29.5 %
291,593	215,517	10.2	14.9	14.7	17.3	14.2
239,624	169,944	8.0	10.8	12.4	14.2	11.1
240,562	140,746	9.1	15.5	15.2	14.3	9.2
16,867	18,569	6.1	2.4	1.1	1.0	1.2
262,300	514,192	7.8	2.2	6.7	15.6	33.7
4,678	2,094	4.9	5.6	4.2	0.3	0.1
54,028	15,635	0.5	1.7	1.8	3.2	1.0
<u>\$ 1,681,710</u>	<u>\$ 1,527,031</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 193,533	\$ 137,113	5.1 %	8.2 %	8.3 %	11.5 %	9.0 %
153,332	129,897	5.2	8.7	10.4	9.1	8.5
71,224	53,909	2.7	3.3	3.6	4.3	3.6
309,030	195,956	8.5	14.3	18.7	18.4	12.8
292,401	203,605	11.7	14.7	13.1	17.4	13.3
270,179	245,158	9.1	12.9	14.3	16.1	16.1
176,850	2,934		1.4	8.8	10.5	0.2
<u>\$ 1,466,549</u>	<u>\$ 968,572</u>	<u>42.3 %</u>	<u>63.5 %</u>	<u>77.2 %</u>	<u>87.3 %</u>	<u>63.5 %</u>
<u>\$ 215,161</u>	<u>\$ 558,459</u>	<u>57.7 %</u>	<u>36.5 %</u>	<u>22.8 %</u>	<u>12.7 %</u>	<u>36.5 %</u>
<u>\$ 82,226</u>	<u>\$ -0-</u>					
\$ 297,387	\$ 558,459					
<u>1,658,918</u>	<u>1,100,459</u>					
<u>\$ 1,956,305</u>	<u>\$ 1,658,918</u>					

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 2,525,428	\$ 3,422,124	\$ 2,699,526
Penalty and Interest	43,678	60,253	26,862
Investment Revenues	250,567	208,008	113,153
Miscellaneous Revenues	35,162	4,009	11
TOTAL REVENUES	\$ 2,854,835	\$ 3,694,394	\$ 2,839,552
EXPENDITURES			
Tax Collection Expenditures	\$ 89,960	\$ 40,756	\$ 24,836
Debt Service Principal	760,000	720,000	715,000
Debt Service Interest and Fees	1,801,990	1,592,535	800,478
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 2,651,950	\$ 2,353,291	\$ 1,540,314
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 202,885	\$ 1,341,103	\$ 1,299,238
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$ 207,086
Long-Term Debt Issued		454,144	569,250
Refunding Bonds			
Payment to Refunded Bond Escrow Agent			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 454,144	\$ 776,336
NET CHANGE IN FUND BALANCE	\$ 202,885	\$ 1,795,247	\$ 2,075,574
BEGINNING FUND BALANCE	5,881,687	4,086,440	2,010,866
ENDING FUND BALANCE	\$ 6,084,572	\$ 5,881,687	\$ 4,086,440
TOTAL ACTIVE RETAIL WATER CONNECTIONS	942	803	797
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	905	758	745

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 1,666,261	\$ 1,315,194	88.5 %	92.7 %	95.1 %	99.1 %	98.2 %
10,094	21,976	1.5	1.6	0.9	0.6	1.6
5,084	1,213	8.8	5.6	4.0	0.3	0.1
	1,889	1.2	0.1			0.1
<u>\$ 1,681,439</u>	<u>\$ 1,340,272</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 17,136	\$ 13,524	3.2 %	1.1 %	0.9 %	1.0 %	1.0 %
685,000	620,000	26.6	19.5	25.2	40.7	46.3
585,108	399,658	63.1	43.1	28.2	34.8	29.8
	151,405					11.3
<u>\$ 1,287,244</u>	<u>\$ 1,184,587</u>	<u>92.9 %</u>	<u>63.7 %</u>	<u>54.3 %</u>	<u>76.5 %</u>	<u>88.4 %</u>
<u>\$ 394,195</u>	<u>\$ 155,685</u>	<u>7.1 %</u>	<u>36.3 %</u>	<u>45.7 %</u>	<u>23.5 %</u>	<u>11.6 %</u>
\$	\$					
	248,488					
	3,455,000					
	(3,297,391)					
<u>\$ - 0 -</u>	<u>\$ 406,097</u>					
\$ 394,195	\$ 561,782					
<u>1,616,671</u>	<u>1,054,889</u>					
<u>\$ 2,010,866</u>	<u>\$ 1,616,671</u>					
<u>730</u>	<u>541</u>					
<u>736</u>	<u>514</u>					

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

District Mailing Address - East Montgomery County Municipal Utility District No. 3
c/o Marks Richardson PC
3700 Buffalo Speedway, Suite 830
Houston, TX 77098

District Telephone Number - (713) 942-9922

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended June 30, 2025</u>	<u>Expense Reimbursements for the year ended June 30, 2025</u>	<u>Title</u>
Phil Maybee	05/24 05/28 (Elected)	\$ 3,094	\$ 662	President
Darell Bridges	05/22 05/26 (Elected)	\$ 2,431	\$ 91	Vice President
Brenda Crayton	05/22 05/26 (Elected)	\$ 2,210	\$ 55	Secretary
Ken Parmer	05/24 05/28 (Elected)	\$ 2,652	\$ 173	Assistant Secretary
Mike Deaton	07/24 05/28 (Appointed)	\$ 2,210	\$ 199	Director

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

Submission Date of most recent District Registration Form: May 29, 2025

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

See accompanying independent auditor’s report.

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2025</u>	<u>Title</u>
Marks Richardson PC	01/09/03	\$ 96,985	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/10/03	\$ 17,500	Auditor
Municipal Accounts & Consulting, LP	06/26/02	\$ 75,449	Bookkeeper
J.A. Costanza and Associates	06/26/02	\$ 302,002	Engineer
The GMS Group	07/10/08	\$ -0-	Financial Advisor
Mark Burton	12/2005	\$ -0-	Investment Officer
TNG Utility Corporation	11/09/06	\$ 596,096	Operator
Utility Tax Service, LLC	01/31/23	\$ 17,163	Tax Assessor/ Collector
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/09/23	\$ 34,597	Delinquent Tax Attorney

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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