This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 3, 2026

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

NEW ISSUE—BOOK-ENTRY-ONLY **RATINGS: Underlying "Baa3" Moody's**

CUSIP No. 27373Q **See "MUNICIPAL BOND RATING" herein**

$9,850,000

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 4

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

UNLIMITED TAX BONDS

SERIES 2026

Dated: November 1, 2026 **Due: April 1 (as shown below)**

Interest on the $9,850,000 Unlimited Tax Bonds, Series 2026 (the "Bonds" or the "Series 2026 Bonds") will accrue from November 1, 2026, and will be payable on April 1 and October 1 of each year, commencing April 1, 2027, 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 (defined below) 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 Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar").

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal	Maturity	Interest Rate	Yield (a)	Principal	Maturity	Interest Rate	Yield (a)
$175,000	2029	%	%	$350,000	2043 (b)	%	%
$200,000	2030	%	%	$375,000	2044 (b)	%	%
$200,000	2031	%	%	$400,000	2045 (b)	%	%
$225,000	2032 (b)	%	%	$425,000	2046 (b)	%	%
$225,000	2033 (b)	%	%	$425,000	2047 (b)	%	%
$225,000	2034 (b)	%	%	$450,000	2048 (b)	%	%
$250,000	2035 (b)	%	%	$475,000	2049 (b)	%	%
$250,000	2036 (b)	%	%	$500,000	2050 (b)	%	%
$275,000	2037 (b)	%	%	$525,000	2051 (b)	%	%
$275,000	2038 (b)	%	%	$550,000	2052 (b)	%	%
$300,000	2039 (b)	%	%	$575,000	2053 (b)	%	%
$300,000	2040 (b)	%	%	$600,000	2054 (b)	%	%
$325,000	2041 (b)	%	%	$625,000	2055 (b)	%	%
$350,000	2042 (b)	%	%				

(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 April 1, 2032, are subject to redemption in whole or, from time to time, in part at the option of the District (hereinafter defined) on April 1, 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."

The proceeds of the Bonds will be used by East Montgomery County Municipal Utility District No. 4 (the "District") to finance: (1) certain costs associated with the reimbursement to the Developers (as defined herein) in the District for certain water, sewer, drainage facilities, and related costs and engineering/technical services associated therewith; (2) certain reimbursement of land costs to developers; (3) capitalized interest on the Bonds; (4) Developer interest; and (5) bond costs of issuance. 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 Patton Village, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Patton Village, is pledged to the payment of the principal of or interest on the Bonds. **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 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 November 24, 2026.

Bids Due: Monday, October 26, 2026, at 9:30 A.M. Houston Time

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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.

SALE AND DISTRIBUTION OF THE BONDS

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 _____ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, 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, their 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. 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. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

The District has no control over 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 events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for information filing.

Annual Reports

The District will provide certain financial information and operating data to EMMA annually to the MSRB or any successor to its functions as a repository through its EMMA system.

The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement and District debt (except for "Estimated Overlapping Taxes" and "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 a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" shall have the meanings ascribed to them under SEC Rule 15c2-12 (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 Resolution makes 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 from EMMA

The District has agreed to provide the foregoing updated information only to the MSRB via EMMA.

Investors will be able to access 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 and only for so long as the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, 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 the 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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 type of operations of the District, if (1) 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

This is the District's sixth bond issue. Each of the District's first two bond issues (Series 2019 Bonds and Series 2019A Bonds) were purchased by a single institution investor. That purchaser executed an Investment Letter and provided the District with a letter waiving its requirement that the District file continuing disclosures with EMMA. The District committed into entering into a Continuing Disclosure Agreement, in accordance with 15c2-12, as a part of the Series 2020 Road Bonds. Due to an administrative oversight, the District failed to timely file the District's 2020 and 2021 annual continuing disclosure filings. A notice of late filing for both events has been filed with EMMA. The District has implemented procedures for future filings. Otherwise (except as noted above) during the last five years, the District has no known failures to comply in all material respects with its continuing disclosure undertakings made in accordance with SEC Rule 15c2-12.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to Moody's Investors Service, Inc. ("Moody's") which has assigned a rating of "Baa3" 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.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. Potential Underwriters may bid for the Bonds with or without bond insurance. If the Underwriter bids the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. If the Underwriter purchases the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date the bond insurer's credit rating is down-graded then the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance company on the day of the sale.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE BONDS

Description: $9,850,000 Unlimited Tax Bonds, Series 2026, are dated November 1, 2026. The Bonds represent the sixth series of bonds to be issued by the District. The Bonds will mature on April 1 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 November 1, 2026, and is payable on April 1, 2027, and each October 1 and April 1 thereafter until maturity. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax, without limit as to maximum rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Patton Village, or any other political subdivision or entity. See "THE BONDS - Source of and Security for Payment."

Book-Entry-Only System: The 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 denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of 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."

Optional Redemption: Bonds maturing on April 1, 2032, are subject to early redemption, in whole or from time to time in part, on April 1, 2031, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. See "THE BONDS."

Use of Proceeds: Proceeds from the sale of the Bonds will be used to finance: (1) certain costs associated with the reimbursement to the Developers (as defined herein) in the District for certain water, sewer, drainage facilities, and related costs and engineering/technical services associated therewith; (2) certain reimbursement of land costs to developers; (3) capitalized interest on the Bonds; (4) Developer interest; and (5) bond costs of issuance. See "USE OF BOND PROCEEDS."

Legal Opinion: Marks Richardson PC, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Payment Record: This is the District's sixth bond issue. The District has never defaulted in payment of principal of or interest on its bonded indebtedness.

Risk Factors: The Bonds are subject to certain risk factors, 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 sections captioned "RISK FACTORS" and more specifically "RISK FACTORS – Principal Taxpayers" and "- Financial Condition of the Original Developer/Original Developer Affiliates."

Qualified Tax Exempt Obligations: The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

Municipal Bond Rating: In connection with the sale of the Bonds, the District has made application to Moody's which has assigned a rating of "Baa3" to 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: The District has applied to AG and BAM for qualification of the Bonds for bond insurance. Potential purchasers may bid for the Bonds with or without bond insurance. If the Underwriters bid the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriters. The District will pay for the cost of the S&P rating. The Underwriters must pay for the cost of any rating other than the

S&P rating. If the Underwriters purchase the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is down-graded then the Underwriters are still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AG or BAM on the day of the sale. See "BOND INSURANCE."

THE DISTRICT

Description: East Montgomery County Municipal Utility District No. 4 (the "District"), a political subdivision of the State of Texas, located in Montgomery County, Texas, was created by the 78th Texas Legislature, Senate Bill 745, effective September 1, 2003, and confirmed at an election conducted in the District on September 11, 2004. At creation the District contained approximately 610 acres; three annexations subsequent to the creation of the District have resulted in the District's current size of approximately 788 acres. The District operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - Authority."

The District is located in northeast Montgomery County approximately 17 miles southeast of the City of Conroe, approximately 31 miles north of the central business district of the City of Houston, Texas. The District is bisected by State Highway 242 and is located generally at the intersection of State Highway 242 and Interstate 69 (State Highway 59). The District is located within the ETJ of the City of Patton Village and within the Splendora Independent School District. See "THE DISTRICT – Description and Location."

Development of the District: A summary of the approximate land use in the District appears in the following table as of September 1, 2026. See "THE DISTRICT – Status of Land Development/Land uses in the District."

Type of Land Use	Approx. Acres
Developed Acres Residential (a)	219
Developed Acres Commercial	343
Undevelopable Land (b)	226
Total Approximate Acres	**788**

(a) Includes 909 single-family lots developed by M/I Homes and Lennar Homes. Homes in the District have been constructed by M/I Homes and Lennar Homes and marketed in the $225,000 - $325,000 price range. See "THE DISTRICT – Single Family Building Development".

(b) Includes street rights-of-way, detention ponds, drainage easements, flood plain acreage, District plant sites, and open spaces in the District.

Commercial Building Development: The District includes the Grand Texas Development Project ("Grand Texas"), a project which is planned to include several recreational venues and commercial establishments. The following commercial establishments were completed as of September 1, 2026: (1) Speedsportz Racing Park; (2) Valero gas station/convenience store; (3) Flying J Truck Stop and Denny's restaurant; (4) Grand Texas RV Park; (5) SBJC Medical Building; (6) Big Rivers Waterpark (which includes the waterpark itself, Gator Bayou Adventure Park, and Trio Parking); (7) Hotel Manhattan, Best Western Signature Collection Hotel; (8) Grand Texas storage facility; (9) Splendora Grill; (10) CVS pharmacy; (11) 7-Eleven gas station/convenience store; (12) McCoy's retail store; and (13) the Casa Julia restaurant plus 2 other fast food restaurant establishments. See "THE DISTRICT – Current Status of Commercial Building Development."

Single-family Building Development: The single-family building development in the District has taken place on approximately 219 acres. Pinewood at Grand Texas Subdivision (Sections 1-9). Land development in Pinewood, Section 1-9 was undertaken by M/I Homes of Houston, LLC (herein "M/I Homes") and Lennar Homes of Texas (herein "Lennar"). As of September 1, 2026, homebuilding development in Sections 1-9 included 846 completed homes, 15 homes under construction and 48 vacant developed lots. According to M/I Homes and Lennar, homes in the subdivision have been marketed in the $225,000 - $325,000 price range.

Original Developer: Substantially all of the commercial land development work in the District has been done by GT Operating Company, Incorporated ("GTOP" or the "Original Developer"). GTOP is a privately held Texas Corporation whose principal shareholders include Marvin (Monty) Galland, Patsy Ward, Leticia Galland, and Max

Bachrach. The shareholders/officers of GTOP are also the owners, co-owners, or partners in six other entities that own property in the District. Those other entities on the District's tax roll include BRTX, LLC (the owner of the Waterpark); Trio Parking, LLC; Green Cow Productions, LLC; Gator Bayou, LLC; Lone Star Recreation and Marvin Galland. GTOP. See "THE DISTRICT – Single Family Building Development." The affiliated entities mentioned above are collectively referred to herein as the "Original Developer Affiliates." See "THE DISTRICT'S ORIGINAL DEVELOPER – GT Operating Company, Inc." and "Original Developer's Financing." Properties currently owned by the Original Developer Affiliates represent approximately 7% of the 2026 tax roll. The Original Developer has three long-term variable rate USDA Guaranteed loans with the North American Capital (the "NAC Construction Loans"). The NAC Construction Loans are secured by the land and improvements owned by the Original Developer Affiliates and include personal guarantees of the shareholders of GTOP. According to the representatives of the Original Developer Affiliates, the NAC Construction Loans were modified in 2025 and are presently current.

Additionally, the Original Developer Affiliates have a separate loan associated with the Grand Texas Project. Such loan has an outstanding balance of approximately $2.0 million and is secured by a collateral assignment agreement of future reimbursements due to the Original Developer from the District pursuant to that certain Utility Development Agreement between the District and the Original Developer dated February 13, 2014, (the "UDA"). See in "RISK FACTORS – Principal Taxpayers" and "– Financial Condition of the Developer/Developer Affiliates" and "THE DISTRICT'S ORIGINAL DEVELOPER – Developer." See in "RISK FACTORS – Principal Taxpayers" and "–Financial Condition of the Developer/Developer Affiliates."

The System: Utilities in the District have been extended to serve approximately 320 acres within the District. The District has water supply capacity to service approximately 1,790 equivalent single-family connections, and wastewater treatment plant capacity capable of serving approximately 1600 equivalent single-family connections. It is currently anticipated that expansions to the District's water supply and waste water treatment plant capacity will be necessary in order to serve the full build out of the District given currently anticipated land uses in the District

SELECTED FINANCIAL INFORMATION
(Unaudited)

8/1/2026 Estimated Taxable Value	$331,314,834	(a)
1/1/2026 Certified Taxable Value	$310,928,088	(b)
Direct Debt		
Outstanding Bonds	$29,380,000	
The Bonds	$9,850,000	
Total Direct Debt	$39,230,000	
Estimated Overlapping Debt	$39,236,536	
Direct and Estimated Overlapping Debt	$78,466,536	
Direct Debt to: (See "DISTRICT DEBT")		
8/1/2026 Estimated Taxable Value	11.84%	
1/1/2026 Certified Taxable Value	12.62%	
Direct and Overlapping Debt to: (See "DISTRICT DEBT")		
8/1/2026 Estimated Taxable Value	23.68%	
1/1/2026 Certified Taxable Value	25.24%	
2026 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.50	
Road Debt Service Tax	$0.07	
Maintenance Tax	$0.68	
Total 2026 Tax Rate	$1.25	
Cash and Temporary Investment Balances as of September 3, 2026		
General Fund	$5,885,939	(c)
Debt Service Fund (Pro-Forma)	$3,091,626	(d)
Road Debt Service Fund	$205,950	

(a) The Estimated Taxable Value as of 8/1/2026 was prepared by the Montgomery Central Appraisal District ("MCAD") and provided to the District for informational purposes only. Such value is not binding on MCAD and values resulting from new land development or commercial building construction in the District subsequent to January 1, 2026, will not be included on the District's tax roll until the January 1, 2027, certified tax roll is prepared and fully certified by MCAD during the second half of calendar year 2027. See "TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2026, Certified Taxable Value according to data supplied to the District by MCAD. The figure above reflects the taxable value of property that is fully certified ($280,948,375) and 85% of the taxable value of the properties that are still with the certification process ($35,270,251). See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(c) Approximate unaudited figures.

(d) The Debt Service Fund figure above includes $472,800 of capitalized interest to be funded with proceeds of the District's Series 2026 Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "USE OF BOND PROCEEDS."

DEBT SERVICE REQUIREMENTS

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

	Existing Debt	Series 2026 Bonds		Total Debt
Year	Service	Principal	Interest*	Service*
2027	$1,772,951	-	$433,400	$2,206,351
2028	$1,979,527	-	$472,800	$2,452,327
2029	$1,996,785	$175,000	$468,600	$2,640,385
2030	$1,966,842	$200,000	$459,600	$2,626,442
2031	$1,991,077	$200,000	$450,000	$2,641,077
2032	$1,960,552	$225,000	$439,800	$2,625,352
2033	$1,985,379	$225,000	$429,000	$2,639,379
2034	$1,976,429	$225,000	$418,200	$2,619,629
2035	$1,978,014	$250,000	$406,800	$2,634,814
2036	$1,948,389	$250,000	$394,800	$2,593,189
2037	$1,972,054	$275,000	$382,200	$2,629,254
2038	$1,997,355	$275,000	$369,000	$2,641,355
2039	$2,014,022	$300,000	$355,200	$2,669,222
2040	$1,978,320	$300,000	$340,800	$2,619,120
2041	$2,019,688	$325,000	$325,800	$2,670,488
2042	$2,031,906	$350,000	$309,600	$2,691,506
2043	$2,016,092	$350,000	$292,800	$2,658,892
2044	$2,046,565	$375,000	$275,400	$2,696,965
2045	$2,027,955	$400,000	$256,800	$2,684,755
2046	$2,031,053	$425,000	$237,000	$2,693,053
2047	$2,054,902	$425,000	$216,600	$2,696,502
2048	$2,054,296	$450,000	$195,600	$2,699,896
2049	$2,074,087	$475,000	$173,400	$2,722,487
2050	$1,305,812	$500,000	$150,000	$1,955,812
2051	$1,305,687	$525,000	$125,400	$1,956,087
2052	$1,351,969	$550,000	$99,600	$2,001,569
2053	$831,078	$575,000	$72,600	$1,478,678
2054	$844,078	$600,000	$44,400	$1,488,478
2055	-	$625,000	$15,000	$640,000
TOTALS	**$51,512,861**	**$9,850,000**	**$8,610,200**	**$69,973,061**

Maximum Annual Debt Service Requirements (2049).....$2,722,487*

$0.87 debt service tax rate on the 8/1/2026 Estimated Taxable Value
@ 95% collections produces.....$2,738,317*

$0.93 debt service tax rate on the 1/1/2026 Certified Taxable Value
@ 95% collections produces.....$2,747,050*(a)

See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

(a) Reflects the January 1, 2026, Certified Taxable Value according to data supplied to the District by MCAD. The figure above reflects the taxable value of property that is fully certified ($280,948,375) and 85% of the taxable value of the properties that are still with the certification process ($35,270,251). See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

* Preliminary, subject to change.

OFFICIAL STATEMENT

relating to

$9,850,000

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 4
(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 $9,850,000 East Montgomery County Municipal Utility District No. 4 Unlimited Tax Bonds, Series 2026 (the "Bonds" or the "Series 2026 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, as amended, including Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to an Order (the "Bond Order") to be adopted by the Board of Directors of East Montgomery County Municipal Utility District No. 4 (the "District"), and an election held within the District on September 11, 2004.

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 duplication costs 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 Patton Village, or any other political subdivision or entity. The Bonds are payable from the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of 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 generate property taxes to pay debt service at current levels.

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. or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after

the purchaser's deed issued at the foreclosure sale is filed in the county records. 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Dependence on Principal Taxpayers

The ability of one or more of the principal taxpayers in the District to make full and timely payments of taxes levied against their property by the District could directly affect the District's ability to meet its debt service obligations. The District's 10 largest taxpayers have accounted for approximately 22% of the District's 2026 Taxable Valuation. Property owned by the Original Developer and Original Developer Affiliates accounted for approximately 7% of the District's 2026 tax roll. The District levied a 2025 total tax rate of $1.25 per $100 of assessed valuation. Such taxes were due on or before January 31, 2026. See "DISTRICT'S ORIGINAL DEVELOPER – Developer Financing."

Because of the District's dependence on the Original Developer and the Original Developer Affiliates as principal taxpayers in the District, see "—Dependence on Principal Taxpayers", the District is uniquely dependent on the maintenance of taxable values on the properties owned by the Original Developer and the Original Developer Affiliates, and the timely payment of taxes by the Original Developer and Original Developer Affiliates.

Financial Condition of the Original Developer/ Original Developer Affiliates

According to the District's records, the Original Developer/Original Developer Affiliates have been paid all property taxes owed to all taxing jurisdictions and assessed against property owned by the Original Developer/Original Developer Affiliates within the District for the 2025 tax year. and for all prior tax years. In some years, substantially all of the Original Developer/ Original Developer Affiliates' property taxes were paid subsequent to the January 31st due date. For the 2025 tax year, all of the Original Developer/ Original Developer Affiliates' property taxes owed to the District have been paid or will be paid from proceeds of the Bonds on or about the day of closing. Substantially, all of the taxes owed by the Original Developer/Developer Affiliates will be paid prior to or on about the day of closing of the Bonds.

BRTX operates the Waterpark (as defined herein), Gator Bayou Adventure Park and Trio Parking, the latter of which provides parking for the Waterpark. Construction financing for all three operations was provided by North Avenue Capital, LLC (herein "NAC"). The financing consists of three U.S.D.A. Guaranteed "B&I" Loans (herein the "NAC Construction Loans") that were entered into on February 28, 2018. According to the Original Developer, BRTX has been able to make loan payments on the NAC Construction Loans in the past in part by drawing on loan reserve funds (that have been depleted) held by NAC. Beginning in March of 2023 through and including September of 2023, the Original Developer was making partial loan payments of the amounts due on the NAC Construction Loans (such amounts generally represented all or a portion of the monthly interest payments that were due with none of the required principal payments.) The District can make no representation relative to the Original Developer's ability to make timely payment on the NAC Construction Loans in the future even if such NAC Construction Loans are modified. According to NAC, the NAC Construction Loans are currently delinquent; and the District anticipates that the NAC Construction Loans will continue to be delinquent on the day of closing of the Bonds. NAC has the right to accelerate the maturity of the NAC Construction Loans and commence foreclosure proceedings at any time that the NAC Construction Loans are delinquent. NAC makes no representation as to what its decisions may be regarding the status of the NAC Construction Loans in the future and has not agreed to limit its rights/responsibilities regarding the NAC Construction Loans. See "THE DISTRICT'S ORIGINAL DEVELOPER – Original Developer's Financing."

Dependence on Personal Property Taxes; Personal Property Tax Collections

Personal property represents approximately 6% of the District's 2026 tax roll; however, personal property may become a larger percentage of future District tax rolls as the District builds out with additional theme park venues and commercial users. See "DISTRICT TAX DATA – Analysis of Tax Base" and "TAXING PROCEDURES."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are 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 lien is lost if the property is sold in the ordinary course of business. However, 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 then or thereafter owned by the taxpayer in the State of Texas. However, the District may not be able to foreclose on personal property located outside the State of Texas and 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. Personal property may not be seized, and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

Heretofore the District has been successful in collecting its ad valorem tax levies including ad valorem taxes levied on personal property located in the District from time to time. However, no representation can be made by the District regarding future tax collections. See "DISTRICT TAX DATA – Tax Rate and Collections."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2026 tax rate is $1.25 per $100 of assessed valuation. At the present time, tax rates in excess of $1.50 per $100 of assessed valuation are not common among the majority of utility districts in the Montgomery County area, although many newly activated districts are presently projecting tax rates in the range of $1.35 to $1.50 per $100. Any increase in the District's tax rate substantially above the $1.50 level could adversely impact future building development in the District and the District's ability to collect such tax. The District makes no representation regarding future increases to its total tax rate.

The maintenance of the District's tax base is directly related to the commercial and residential building development industry and the economic well-being of the theme park industry. The commercial building development industry has historically been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, the rate of foreclosure and general economic conditions. In the mid-1980's, the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for commercial buildings in the Houston area. The continuation of relatively low oil and natural gas prices for a prolonged period of time could have the same effect on the Houston area economy. The demand for and construction of commercial buildings in the District, which is 31 miles north of downtown Houston, also could be affected by competition from nearby commercial developments. A return of relatively high mortgage interest rates may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be $2,722,487 (2049). If no growth in value were to occur beyond the 8/1/2026 Estimated Taxable Value of $331,314,834, a $0.87 debt service tax rate would be required. If no growth in value were to occur beyond the 1/1/2026 Certified Taxable Value of $310,928,088, a $0.93 debt service tax rate would be required. Additionally, it is anticipated that the District will be required to levy a significant operations and maintenance tax rate each year for the foreseeable future. It is currently anticipated that the District will only sell additional Bonds to the extent that the District will be able to maintain a total combined tax rate of approximately $1.25. See "TAX DATA - Tax Adequacy for Debt Service."

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. Statutory language authorizing local governments such as the District to sue and be sued may not waive the local government's sovereign immunity from suits for money

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.

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 and Interest Rates

A substantial percentage of the taxable values of the District are derived from the current market value of land being developed for recreational theme park improvements, tracts developed for commercial purposes, and undeveloped tracts planned for various types of commercial development. The market value of such tracts is related to general economic conditions affecting the demand for commercial development and recreational theme park improvements. Demand for tracts of this type and the construction of commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such tracts is directed. Decreased levels of construction activity or reduced resale value of such tracts would tend to restrict the growth of property values in the District or could adversely impact such values.

The commercial real estate industry in the Houston area is competitive, and the District can give no assurance that the commercial and recreational building development programs will be implemented or completed, and if completed, the District makes no representation that any such recreational theme park/commercial ventures will be successful. The sale of developed commercial tracts and the competitive position of prospective builders in the construction of commercial establishments 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 commercial development and commercial building industry in the Houston metropolitan area and the business success of the two theme parks that are being developed in the District. The commercial land and development/commercial building industry has historically been a cyclical industry, affected by short-term and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and 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 commercial property foreclosure rates may also affect commercial mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The ability to qualify for commercial mortgage loans may negatively affect the commercial land and development/commercial building industry and the growth of taxable values in the District.

The Houston area economy is particularly tied to the energy industry, and continuing fluctuations in oil and natural gas prices could adversely affect the demand for housing and the assessed values of properties located in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The continued growth of taxable values in the District is, in part, related to the single-family housing and building industry. The single-family housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or home building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The commercial and industrial real estate and housing industries in the Houston area are competitive, and the District can give no assurance that development programs will be implemented or completed. The sale of developed commercial and industrial tracts or single-family residential lots and the competitive position of prospective builders in the construction of commercial and industrial establishments or single family residential homes 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.

Potential Effects of Oil Price Fluctuation on the Houston Area

The recent fluctuation in oil prices in the U.S. and globally, which at times has 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.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

Landowners/Developer Under No Obligation to the District

Neither the Original Developer/Original Developer Affiliates, the Residential Developers nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of buildings in the District. Currently, there is no restriction on any landowner's right (including the Developers') to sell its land. Failure to construct taxable improvements on developed single family lots (anticipated to be created by the Residential Developers) or commercial tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers (see "DISTRICT TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes.

Future Debt

After the sale of the Bonds, the District will have $20,875,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District. The District has $5,850,000 authorized but unissued unlimited tax bonds that may be issued for the purpose of financing road facilities to serve the District, $20,000,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing park and recreational facilities to serve the District, and $57,000,000 authorized but unissued bonds that may be used to refund bonds previously issued.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The total amount of bonds to be issued by the District in the future is in part dependent upon (i) the District being able to develop a plan of financing that will allow the District to maintain a total tax rate of approximately $1.25; (ii) the timely payment of property taxes owed by the Original Developer and related parties; (iii) the business success of the Waterpark and the Adventure Park.

In order to serve additional future land development and improvements within the district it will be necessary for an additional water well(s) and plant(s) to be constructed to serve such future development. The costs for any such additional water supply/production improvement will likely entail the sale of additional bonds by the District, or advanced funding on behalf of the District and additional bonds to reimburse a developer.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution 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 "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 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 District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit 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, 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.

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing developers, homebuilders, and general contractors to experience budget overruns. Further, the federal administration's impositions and threatened impositions of tariffs and the imposition or threatened impositions of retaliatory tariffs against the United States will impact the ability of developers, homebuilders, and general contractors to estimate costs, which could have a direct effect on the District's ability to finance water, sanitary, and detention facilities. Furthermore, the federal administration's immigration policies may impact the Texas' workforce.

Lone Star Groundwater Conservation District:

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District") which was created by the Texas Legislature to conserve, protect, and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan called the Groundwater Management Plan (the "PLAN") for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions, and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Conservation District requires persons and entities, including the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District's rules. As of February 12, 2008, the Conservation District adopted Phase II of its PLAN. The PLAN called for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long-

term depletion of the aquifers. The PLAN allowed for the creation of management zones within the County to facilitate conservation of groundwater and development of other water resources from surface water, deep wells or re-use of treated effluent.

The Conservation District currently bills permit holders, including the District, $0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations.

The previous Lonestar Groundwater Management Plan ("GMP") classified any user that exceeds 10 million gallons (10 MG) per year as a Large Volume Groundwater User ("LVGU"). All LVGU in Montgomery County were required to prepare and submit a two-part Water Resources Assessment Plan ("WRAP") that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure and facilities to purchase and transport water to affected areas within the County. The final approved plan is known as a Groundwater Reduction Plan ("GRP"). The initial requirement and deadline for reduction of groundwater use was 30% by January 1, 2016. Once a user becomes a LVGU they are required to be a member of a GRP.

The District's water plant had only been in operation for approximately 4 years in 2017, delivering a low volume of water. Due to commercial growth and a major unidentified water leak that occurred in October 2017, the District exceeded the 10 MG LVGU threshold for 2017. In April 2018, LSGCD issued a Consent Order to the District, which included a $500.00 non-compliance penalty and an overproduction penalty of $969.00 ($3.00 per 1,000 gallons above 10MG), both of which were paid.

The continued commercial growth and the proposed opening of the Waterpark in June 2018 caused the 2018 usage forecast to exceed the 10 MG threshold, thereby meeting the classification as a LVGU. The District began discussions with a number of existing GRP's during 2017 to participate in their program. In early 2018, the District directed the Engineer to submit the required documentation to join the San Jacinto River Authority ("SJRA") GRP, which would maintain the District in compliance with the PLAN.

The District was to become a participant by contract to this countywide, collaborative solution to groundwater reduction. As Administrator of the GRP, SJRA delivers alternative water, namely surface water from Lake Conroe, to certain participants at a rate that meets Conservation District reduction requirements for all GRP members. SJRA completed a 30 million gallon per day surface water treatment plant and transmission system as of September 18, 2015. SJRA began delivery of treated surface water to meet the initial conversion obligation of January 1, 2016.

The process to join the SJRA GRP progressed through multiple boards and reviews, resulting in a GRP contract agreement from SJRA in November 2018. The District's Board of Directors determined that there was not adequate time to review the Proposed Contract for discussion and therefore, tabled it for a following meeting.

Upon passage of House Bill 1982 by the 85th Texas Legislature in 2017, the Lonestar Groundwater Conservation District's Board of Directors was changed from a nine-member appointed board to a seven-member elected board. The first election was held on November 6, 2018, and the new board assumed office on November 16, 2018. Since taking office, the new board has indicated there will be major changes to the PLAN, which may include changing the definition of a Large Volume Groundwater User and changing the requirement to be a member of a GRP. The PLAN must be updated every 5 years, which was due in 2018, so this update is an urgent priority for the new board.

In September 2018, Judge McCorkle issued an order declaring the LVGU Rule invalid, which was appealed. In January 2019, the parties entered into a settlement agreement which resulted in a Final Judgement declaring the LVGU Rule "void and unenforceable." The newly elected board indicated its intent to make significant changes to the PLAN. The District contacted the Conservation District and proposed a delay in joining the SJRA GRP. Once the SJRA GRP contract was approved, the District would have been locked into a long-term contract with the SJRA. The Conservation District agreed to a consent order setting an overproduction penalty of $0.105 per 1,000 gallons over the 10 MG threshold for the 2018 usage (overage estimated to be approximately 12 million gallons, or $969.00), plus a $500.00 civil penalty. The actual penalty and Consent Order were calculated to be $1,476.09 once the 2018 production data was available in February 2019.

The District notified SJRA that it will place the SJRA GRP Contract on hold until the new PLAN has been released by the Conservation District and a decision could be made regarding the new requirements to be met. On May 17, 2019, the Conservation District issued a notification to all registered LVGUs that the 10 MG requirement had been eliminated and no further action was required on the District's part. The elimination of the 10 MG limitation also removed the immediate requirement to become a member of a GRP until a new Plan is issued. As of December 10, 2019, the Conservation District has not issued a revised Plan. Therefore, the District will continue to operate unrestricted without a GRP, but will follow all other Conservation District policies, such as submitting annual usage forecasts and payment of fees.

San Jacinto River Authority GRP Agreement:

In response to the Conservation District requirements, the SJRA expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for a Groundwater Reduction Plan (GRP), including an alternative water supply, and related goods and services (the "GRP Contract") with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 larger volume water users in Montgomery County, approved and entered into the GRP Contract (collectively the "Participants") and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from groundwater well.

Pursuant to the GRP Contract, SJRA develops, implements, and enforces a groundwater reduction plan ("GRP") covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP was the design and construction of a surface water treatment and transmission system (the "Project") to be owned and operated by SJRA for the benefit of all Participants.

The SJRA designed, permitted, financed, constructed, owns, operates, and maintains the Project. A group compliance approach is utilized. Certain large volume Participants were wholly converted to treated surface water while other users continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee is set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances are made for Participant costs of operating and maintain their wells.

Participants that receive treated surface water from the Project pay the prevailing rate for water, which rate is set so the Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances are made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project are comparable, so that all Participants are paying equivalent charges without preference for customers within or outside the areas converted to surface water.

Severe Weather

The District is located approximately 60 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.

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.

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 the 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.

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

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. See "TAXING PROCEDURES."

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, 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. See "TAXING PROCEDURES."

After January 1, 2020, a district may adopt an exemption for a portion of the value of property damaged by a declared national disaster based on the percentage of damage to the property. 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.

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.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following 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 Underwriters 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 District 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.

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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to fund: (1) certain costs associated with the reimbursement to the Developers (as defined herein) in the District for certain water, sewer, drainage facilities, and related costs and engineering/technical services associated therewith; (2) certain reimbursement of land costs to developers; (3) capitalized interest on the Bonds; (4) Developer interest; and (5) bond costs of issuance.

CONSTRUCTION COSTS:	**Total Amount**	(a)
Developer Contribution Items		
Pinewood at Grand Texas, Section 6	$807,916	
Pinewood at Grand Texas, Section 7	$813,207	
Pinewood at Grand Texas, Section 8	$914,514	
Pinewood at Grand Texas, Section 9	$1,262,109	
Engineering, Material Testing, and SWPPP	$1,066,847	
Total Developer Contribution Items	**$4,864,593**	
District Items		
Pinewood at Grand Texas, Section 3 Cleating and Grubbing, Sections 1-3	$95,111	
Pinewood at Grand Texas Lift Station	$903,672	
Land Acquisitions	$1,924,164	
Engineering, Material Testing, and SWPPP	$97,327	
Total District Items	**$3,020,274**	
TOTAL CONSTRUCTION COSTS:	**$7,884,867**	
NON-CONSTRUCTION COSTS:		
Legal Fees	$256,250	
Fiscal Agent Fees	$148,500	
Capitalized Interest	$472,800	
Developer Interest	$597,865	
Bond Discount	$295,500	
Bond Issuance Expenses	$51,593	
Bond Application Report Costs	$108,500	
Attorney General's Fee	$9,500	
TCEQ Bond Issuance Fee	$24,625	
Contingency	$0	(b)
TOTAL NON-CONSTRUCTION COSTS:	**$1,965,133**	
TOTAL BOND ISSUE REQUIREMENT	**$9,850,000**	

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement.

(b) The District will designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement. Such funds will be used by the District only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district that was created by the 78th Texas Legislature, Senate Bill 745, effective September 1, 2003, and confirmed at an election conducted in the District on September 11, 2004. At creation the District contained approximately 610 acres; three annexation's subsequent to the creation of the District has resulted in the District's current size of approximately 788 acres The District operates pursuant to Chapters 49 and 54, Texas Water Code. The rights, powers, privileges, authority, and functions of the District are established by Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality ("TCEQ"). The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

Under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities. The Board has retained the services of a park designer to master plan the district parks. The Board approved a park plan in January 2019, and the voters in the District elected to authorize the issuance of $20,000,000 of park bonds to finance the purchase and development of parklands within the District. Also, the District applied to the TCEQ for authority to issue bonds for certain road facilities and the TCEQ has granted such authority to the District. On May 4, 2019, the voters in the District elected to authorize the issuance of $9,500,000 of road bonds. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provides such facilities and services to the customers of the District. The District has not indicated any intention to establish, operate, or maintain a fire department. The District is located within the Montgomery County Emergency Service District No. 7 which does provide firefighting service to the properties located within the District.

Description and Location

The District is located in northeast Montgomery County approximately 17 miles southeast of the City of Conroe, approximately 31 miles north of the central business district of the City of Houston, Texas. The District is bisected by State Highway 242 and is located generally at the intersection of State Highway 242 and Interstate 69 (State Highway 59). The District is located within the ETJ of the City of Patton Village and within the Splendora Independent School District.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District appears in the following table as of September 1, 2026:

Type of Land Use	Approx. Acres
Developed Acres Residential (a)	219
Developed Acres Commercial	343
Undevelopable Land (b)	226
Total Approximate Acres	**788**

(a) Includes 909 single-family lots developed by M/I Homes and Lennar Homes. Homes in the District have been constructed by M/I Homes and Lennar Homes and marketed in the $225,000 - $325,000 price range. As of September 1, 2026, approximately 861 completed homes or homes under construction. See "THE DISTRICT – Single Family Building Development".

(b) Includes street rights-of-way, detention ponds, drainage easements, flood plain acreage, District plant sites, and open spaces in the District.

Current Status of Commercial Building Development

The District encompasses the Grand Texas Development Project ("Grand Texas"), a project which is planned to include several recreational venues and commercial establishments. The table below includes a list of several of the commercial projects in the District that are complete and the projects that are currently under development (as described in the footnotes below) as of September 1, 2026.

Approximate Acreage	Project	Type of Business
26	Speedsportz Racing Park (a)	Kart racing facility
3	Circle K/Valero (b)	Convenience store/gas station
20	Flying J and Denny's (c)	Travel center and restaurant
18	Grand Texas RV Park (d)	RV Park
58	Big Rivers Waterpark (e)	Waterpark, Adventure Park and Parking Facility
2	Hotel Manhattan Best Western Signature Collection Hotel (f)	Hotel
1	SBJC Medical Building (g)	Urgent Care and medical offices
1	Splendora Grill (h)	Casual dining restaurant
2	7-Eleven Store	Convenience store
6	The Storage Place – Hwy 242	Personal storage facility
1	Domino's Pizza	Retail Establishment
1	Southern Tire Mart	Tire Store
8	McCoy's (i)	Retail store, warehouse, storage facility and pad sites
2	Casa Julia	Restaurant establishment
1	McDonald's	Restaurant establishment
1	Taco Bell	Restaurant establishment
1	The Food Zone	Food Truck Park
152	**Total Approximate Acres**	

(a) An outdoor kart racing facility and performance driving school that opened for business in 2017. The facility includes three different racetracks (a concession track for kart rentals and racing; a pro track for kart racing; and a performance track). The facility is the home to the Alan Rudolph Racing Academy which is managed by Hall of Fame race driver Alan Rudolph. The 43 acres includes approximately 16 acres for potential future sales of acreage to third party building developers.

(b) The facility is a 5,800-square-foot gas station/convenience store.

(c) A truck stop that offers fuel, parking facilities, scale services, showers, and other services required by truck drivers. The facility also includes a large retail store and a Denny's restaurant.

(d) A 142-space RV Park with concrete roads and pad sites opened for business in October 2016. The facility includes a club house, swimming pool and hot tub, picnic area; shower houses, and a dog park. Customers are provided with utilities, cable television, and wi-fi.

(e) Big Rivers Waterpark includes a 20-acre waterpark, a 20-acre adventure park, and an 18-acre parking facility. The Waterpark features a "lazy river" (with riverside cabanas that include individual tables, chairs, storage lockers, and televisions), a wave pool, 25 water slides, a separate area for small children, and more than 100 other water features. According to representatives of the Original Developer, the Waterpark was opened on May 25, 2019. The 12-acre adventure park portion of the waterpark is known as Gator Bayou Adventure Park. This portion of the waterpark provides a year-round entertainment destination with a variety of attractions. Gator Bayou Adventure Park also includes a 270-seat smokehouse restaurant, an outdoor beer garden, and a performance stage.

(f) A 109-room hotel with restaurants and meeting facilities. The hotel opened in 2020.

(g) A 12,000-square foot building on 1 acre of land that will include 6,000-square feet of office space and 6,000-square feet for an urgent care facility that opened for business in 2019.

(h) Tamayo Restaurant Properties (the owners of the existing Splendora Café) located in Splendora, Texas, purchased a site along the Interstate 69 feeder for the purpose of developing the Splendora Grill. According to representatives of Tamayo Restaurant Properties, the Splendora Grill is a 240-seat restaurant facility that was opened for business during 2021.

(i) The McCoy's development includes a 10,870 square foot retail store, a 7,215 square foot warehouse, 2 overhead storage buildings totaling approximately 21,400 square feet, and 2 pad sites located on approximately 2.5 acres that may be improved in the future.

Single family Building Development

The single-family building development in the District has taken place on approximately 219 acres known as Pinewood at Grand Texas Subdivision (Sections 1-9) herein "Pinewood." Land Development Pinewood, Section 1-9 was undertaken by M/I Homes of Houston, LLC (herein "M/I Homes") and Lennar Homes of Texas (herein "Lennar") and included 909 lots located on 219 acres. As of September 1, 2026, homebuilding development in Sections 1-9 included 846 completed homes, 15 homes under construction and 48 vacant developed lots. According to M/I Homes and Lennar, the homes in Pinewood, Sections 1-9 have been marketed in the $225,000 - $325,000 price range.

THE DISTRICT'S ORIGINAL DEVELOPER

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

GT Operating Company, Inc.

Substantially all of the commercial land development work in the District has been done by GT Operating Company, Incorporated ("GTOP" or the "Original Developer"). GTOP is a privately held Texas Corporation whose principal shareholders include Marvin (Monty) Galland, Patsy Ward, Leticia Galland, and Max Bachrach. The shareholders/officers of GTOP are also the owners, co-owners, or partners in six other entities that own property in the District. Those other entities on the District's tax roll include BRTX, LLC (the owner of the Waterpark); Trio Parking, LLC; Lone Star Recreation, Incorporated; Green Cow Productions, LLC; Gator Bayou, LLC and Marvin Galland. GTOP and the affiliated entities mentioned above are collectively referred to herein as the "Original Developer Affiliates." See "THE DISTRICT'S ORIGINAL DEVELOPER – GT Operating Company, Inc." Properties currently owned by the Original Developer and the Original Developer Affiliates represent approximately 8.30% of the 2025 tax roll. The Original Developer has three long-term variable rate USDA Guaranteed loans with the North American Capital (the "NAC Construction Loans"). The NAC Construction Loans are secured by the land and improvements owned by the Original Developer and the Original Developer Affiliates and include personal guarantees of the shareholders of GTOP. According to the representatives of the Original Developer Affiliates, the NAC Construction Loans were modified in 2025 and are presently current.

Additionally, the Original Developer Affiliates have a separate loan associated with the Grand Texas Project. Such loan has an outstanding balance of approximately $2.0 million and is secured by a collateral assignment agreement of future reimbursements due to the Original Developer from the District pursuant to that certain Utility Development Agreement between the District and the Original Developer dated February 13, 2014, (the "UDA"). See in "RISK FACTORS – Principal Taxpayers" and "– Financial Condition of the Developer/Developer Affiliates" and "THE DISTRICT'S ORIGINAL DEVELOPER – Developer." See in "RISK FACTORS – Principal Taxpayers" and "–Financial Condition of the Developer/Developer Affiliates."

The Original Developer has developed approximately 161 acres of land in the District and constructed improvements on substantially all of those acres. The projects developed by the Original Developer (including those sold) include the following enterprises/businesses in the District:

> *Big Rivers Waterpark* includes a 20-acre waterpark, a 20-acre adventure park, and an 18-acre parking facility. The Waterpark features a "lazy river" (with riverside cabanas that include individual tables, chairs, storage lockers, and televisions), a wave pool, 25 water slides, a separate area for small children, and more than 100 other water features. According to representatives of the Original Developer, the Waterpark opened on May 25, 2019, and was open for 57 days during 2019. According to the Original Developer, the Waterpark was open for approximately 133 days during

2024. The 12-acre adventure park portion of the waterpark is known as Gator Bayou Adventure Park. This portion of the waterpark provides a year-round entertainment destination with a variety of attractions including: a floating island in the lake that include 12 amusement park rides, slides, swings, jumpers, and other obstacles; areas for fishing, bumper boats; multiple zip-lines; a climbing wall; a multistory ropes course; a petting zoo; a giant maze; a live alligator habitat; and a nature preserve. Gator Bayou Adventure Park includes a 270-seat smokehouse restaurant, an outdoor beer garden, and a performance stage. According to the Original Developer, the Adventure Park is projected to be open for approximately 180 days in 2025.

Grand Texas RV Resort is an 18 acre, 142-space RV Park that opened for business in 2016. The Original Developer sold the RV Park to RP 19 Grand Texas, LLC in November 2021. According to a representative of the RV Park, the RV Park is generally operating at 55-60% occupancy.

Grand Texas Storage is a seven-acre property containing a 53,000 square foot personal storage facility building (410 units) that opened in 2021. The Original Developer sold this facility to Advantage Public Storage, LLC in November 2021. According to the current owners, they are in the entry stages of developing plans to add an additional 40,000 square foot expansion to the existing facility.

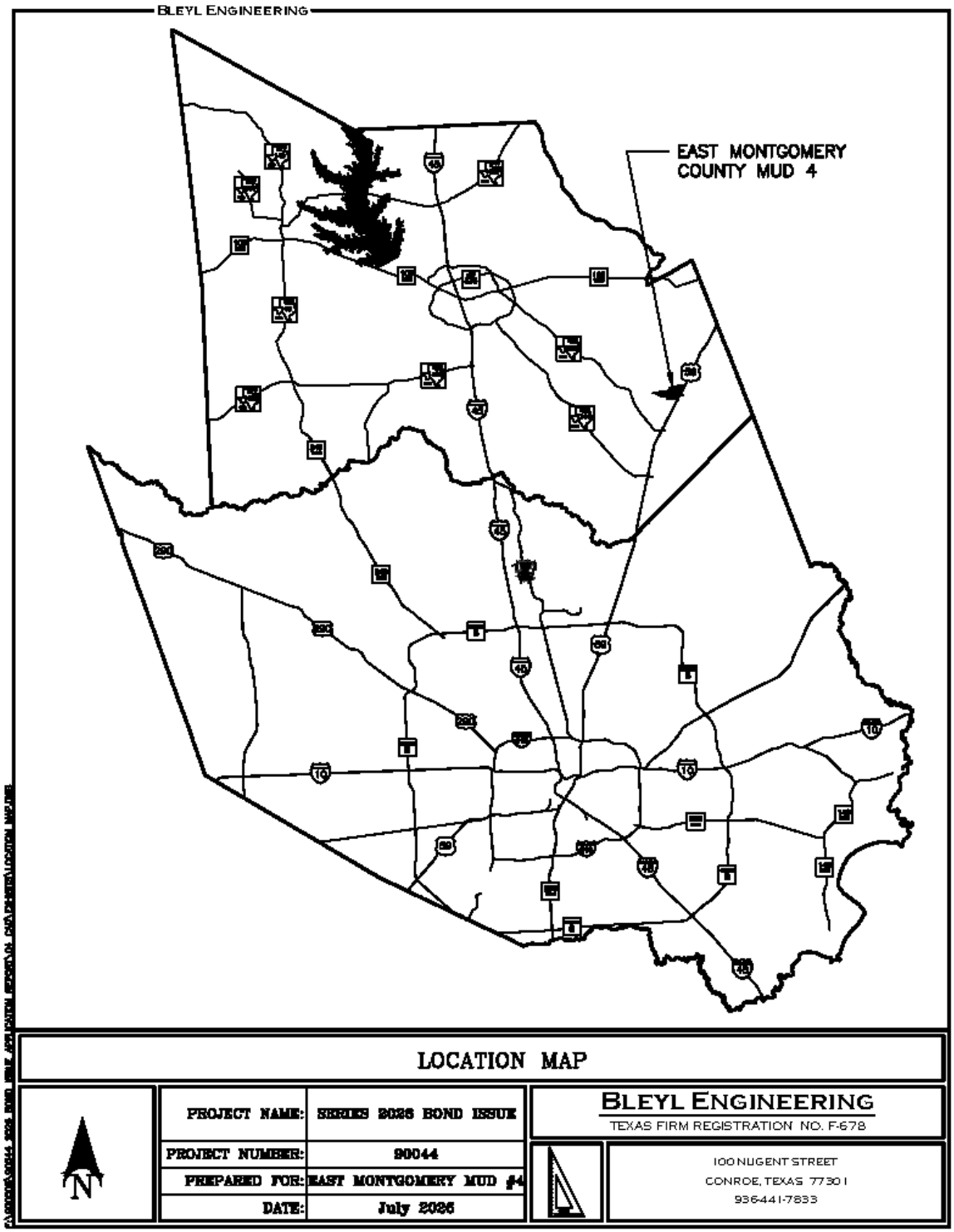
Original Developer's Financing

The Original Developer has three long-term variable rate USDA Guaranteed Loans with the North American Capital ("NAC"). The three loans are collectively referred to herein as the "NAC Construction Loans." The NAC Construction Loans were made to provide financing for the Big Rivers Water Park, the Gator Bayou Adventure Park, and the Trio Parking, LLC facility which are collectively referred to herein as the "Waterpark." The NAC Construction Loans were originally entered onto on November 28, 2018. According to the representatives of the Original Developer Affiliates and the NAC Construction Loans were modified in 2024 and the existing loan is current. See "RISK FACTORS – Principal Taxpayers" and "- Financial Condition of the Original Developer/Original Developer Affiliates."

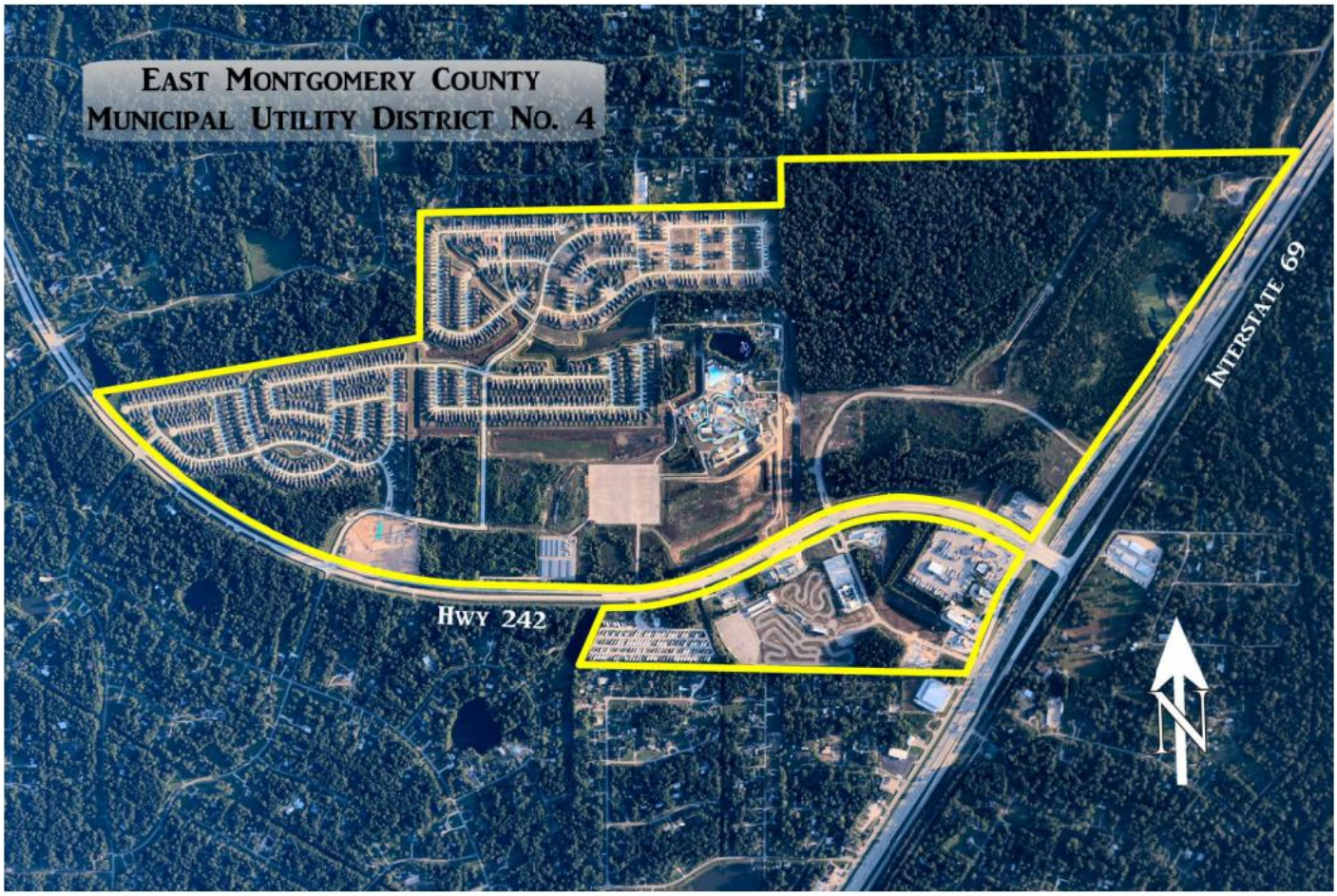
The NAC Construction Loans include cross collateralization provisions and are secured by: 1) first liens on the 22 acres located in the Waterpark, the 20 acres in the Adventure Park, and the 18-acre parking facility, 2) a first lien on the improvements in the two parks. 3)a lien on the parking lot, and 4) a first lien assignment of all agreements, contracts, permits and licenses that may be owned by the BRTX, LLC, as the owner of the Waterpark, and Gator Bayou, LLC, as the owner of the Adventure Park. Additionally, the NAC Construction Loans are secured by joint and several personal guarantees of Patsy D. Ward, Marvin L Galland, and Max Bachrach; and by commercial guarantees provided by BRTX, LLC; GTOP; and Lone Star Recreation, Incorporated; Gator Bayou, LLC; and Trio Parking, LLC.

The Original Developer has entered into a separate collateral assignment agreement with another lender. The collateral assignment agreement is secured by certain reimbursable revenue due to the Original Developer pursuant to that certain Utility Development Agreement by and between the District and the Original Developer dated February 13, 2014.

LOCATION MAP



AERIAL PHOTOGRAPH



DESCRIPTION OF THE DISTRICT'S SYSTEM

Description of the System and Regulation

The District's facilities have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable, among others, the TCEQ, Montgomery County, and the City of Patton Village. According to the District's engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's Engineer, the Flood Hazard Boundary Map currently in effect published by the Federal Emergency Management Agency, which covers land located in the District, indicates that 155 acres of the land located in the District is located within the 100-year floodplain.

Water Plant, Wastewater Treatment Plant, and Drainage System

-Water Plant-

The District's water supply facility consists of two water plants; Water Plant No. 1 and Water Plant No. 2 (the "Pilot Water Plant"). The water supply consists of three water wells, three pressure tanks, seven booster pumps, and three ground storage tanks. The water supply facilities are capable of serving approximately 1,790 equivalent single-family connections. Water Plant No. 1 has one large water well and the Pilot Water Plant has two smaller wells. In the event of loss of service from Water Plant No. 1, the District's ability to provide adequate water service to the users in the District would be greatly hampered. Based upon existing design calculations, the Pilot Water Plant could continue to maintain capacity if certain water-use restrictions were put into place. The two wells at the Pilot Water Plant can only be operated one at a time due to the close proximity of the wells. This, in turn, limits the District's total maximum capacity (in case of failure of one of the wells) but allows flexibility because the total available capacity will not be lost. The latest annual well test reports indicate that all three wells are in good working condition.

With the addition of Pinewood at Grand Texas Sections 4-9, commonly referred to as the "Expansion Tract", the single family developers were required to fund the design and construction of a fourth water well in order to provide additional water capacity for the District adequate to serve the anticipated build out of the District. Additionally, it will be necessary for the District to construct additional water plant components including the build out of future Water Plant 3 at the site of the proposed fourth water well to meet TCEQ flow and pressure requirements. The design and agency approvals for the fourth water well are complete; the permit to drill the well has been received. Alsay Incorporated is scheduled to begin work on the well during the fourth quarter of 2026 and the fourth water well is scheduled to operational during 2027. The additional water well will provide the District with adequate capacity to serve the full build out of the District given currently anticipated land uses in the District.

- San Jacinto River Authority -

In response to the Conservation District requirements, the SJRA expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for a Groundwater Reduction Plan (GRP), including an alternative water supply, and related goods and services (the "GRP Contract") with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 large volume water users in Montgomery County, approved and entered into the GRP Contract (collectively the "Participants") and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from groundwater well.

Pursuant to the GRP Contract, SJRA develops, implements, and enforces a groundwater reduction plan ("GRP") covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP was the design and construction of a surface water treatment and transmission system (the "Project") to be owned and operated by SJRA for the benefit of all Participants.

The SJRA designed, permitted, financed, constructed, owns, operates, and maintains the Project. A group compliance approach is utilized. Certain large volume Participants were wholly converted to treated surface water while other users continue to use

groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee is set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances are made for Participant costs of operating and maintain their wells.

Participants that receive treated surface water from the Project pay the prevailing rate for water, which rate is set so the Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances are made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project are comparable, so that all Participants are paying equivalent charges without preference for customers within or outside the areas converted to surface water.

The District was not considered a large water user when the Conservation District established the groundwater use requirements and therefore was not required to become a participant in a GRP at that time. Since that time, because of a change in the rules, the District has not been required to be a part of a GRP. The District may be required to take steps to become a part of a GRP in the future. In that case, the District may be required to pay groundwater pumpage fees and/or surface water fees in the future. As of the date of this Official Statement, the District is compliant with all of the current regulations established by the Conservation District.

-Wastewater Treatment Plant-

The District's wastewater treatment facilities currently include a 220,000 gallon per day ("gpd") package wastewater treatment plant with two 110,000 gpd treatment trains. The capacity of the District's wastewater treatment plant is adequate to serve approximately 880 equivalent single-family connections ("ESFCs"). With the completion of the new WWTP, which is anticipated to be operational by the end of 2026, and the approved re-rate capacity of 250 gpd per ESFC, the District's total WWTP treatment capacity will be 400,000 gpd and the District will have capacity to serve 1,600 ESFCs.

The sewer system facilities include four lift stations which transfer sewage directly to the headworks of the existing WWTP. Construction of these lift stations were funded by Developers and may be eligible to be reimbursed from a future bond issue. Additional Lift Stations may be required in order to provide for future building development in the District. Additionally, a permanent 750,000 gpd wastewater treatment plant will be constructed as the final phase of the approved TCEQ permit for the District. The permanent plant will be required to support the full buildout of the District and will be financed with proceeds of future bond issues.

-Drainage System-

The underground storm sewer serves approximately 170 acres in the District. The District's drainage system currently includes collection systems and drainage channels. The land in the District north of SH 242 drains into a creek known as Mare Branch and from there to Peach Creek. The land in the District south of SH 242 drains in a northerly direction to Mare Branch and from there to Peach Creek.

Additionally, the District's drainage system currently includes 7 detention ponds encompassing approximately 50 acres in the District. The detention ponds in the District are designed and sized to serve approximately 405 acres of developed land in the District.

As noted elsewhere in the Official Statement, none of the District's facilities were damaged and none of the commercial developments in the District suffered any flooding during Hurricane Harvey.

According to the District's Engineer the Federal Insurance Administration Flood Hazard Boundary Maps indicate that approximately 155 acres located within the District, lie within the 100-year flood plain. Such acres are currently being used for natural drainage and are not intended to be used for any commercial building development in 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 is provided for information purposes only. The District makes no representation as to net revenues, if any, that may be available for debt service of the Bonds in the future.

	Fiscal Year Ending June 30 (a)				
	2025	**2024**	**2023**	**2022**	**2021**
Revenues					
Water Service (b)	$435,962	$419,558	$225,665	$142,169	$67,636
Sewer Service (b)	$370,695	$319,031	$161,101	$137,087	$61,993
Property taxes (b)	$1,829,635	$1,283,157	$870,968	$555,900	$458,734
Penalties and interest	$36,620	$22,585	$15,469	$25,955	$17,528
Tap connection and inspection	$320,307	$420,795	$367,494	$308,950	$118,776
Miscellaneous	$4,450	$5,837	$4,045	$2,105	$26,817
Investment earnings	$155,185	$103,137	$70,958	$3,604	$4,100
Total Revenues	**$3,152,854**	**$2,574,100**	**$1,715,700**	**$1,175,770**	**$755,584**
Expenditures					
Current service operations					
Professional fees	$283,141	$344,089	$281,605	$284,633	$230,489
Contracted services	$330,516	$248,777	$459,615	$285,160	$109,166
Repairs and maintenance	$604,259	$248,440	$194,537	$167,926	$81,785
Utilities	$54,260	$52,411	$35,833	$29,551	$26,851
Administrative	$49,535	$64,975	$51,101	$41,913	$34,164
Other	$64,890	$63,128	$45,178	$8,190	$17,007
Capital Outlay	$206,250	$303,223	$423,984	-	$24,976
Total Expenditures	**$1,592,851**	**1,325,043**	**$1,491,853**	**$817,373**	**$524,438**
Revenues Over Expenditures (b)	**$1,560,003**	**$1,249,257**	**$223,847**	**$358,397**	**$231,146**

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

(b) As of September 3, 2026, the District's General Fund had an unaudited cash and temporary investment balance of approximately $5,885,939. For the fiscal year ended June 30, 2026, the District's General Fund experienced unaudited revenues of approximately $3,580,921 and unaudited operating expenditures of approximately $1,894,395. Additionally, the District spent $116,642 on capital outlays during fiscal year 2026. For the fiscal year ending June 30, 2027, the District's General Fund is budgeting revenues of $3,412,212 and expenditures of $2,141,662.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. None of the directors reside in the District; all of the Directors have been appointed to the Board. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Expires May
Falon Gunter	President	2030
Caryn Adams	Vice President	2028
Carie Chapman	Secretary	2030
Nicholas Kob	Assistant Secretary	2030
Gregory Cox	Director	2028

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services and annual auditing of its books as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Utility Tax Services, LLC, who is employed under an annual contract and represents approximately 120 other utility districts.

Bookkeeper - The District's Bookkeeper is Municipal Accounts & Consulting, L.P., which acts as bookkeeper for approximately 150 other utility districts.

Auditor - The District's audited financial statements as of June 30, 2025, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2025, audited financial statements.

Operator - The System's operator is TNG Utility Corp., which currently acts as utility system operator for approximately 30 utility districts.

Engineer - The consulting engineer for the District is Bleyl Engineering ("Engineer").

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel – Marks Richardson PC serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain legal 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.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

8/1/2026 Estimated Taxable Value	$331,314,834	(a)
1/1/2026 Certified Taxable Value	$310,928,088	(b)
Direct Debt		
Outstanding Bonds	$29,380,000	
The Bonds	$9,850,000	
Total Direct Debt	$39,230,000	
Estimated Overlapping Debt	$39,236,536	
Direct and Estimated Overlapping Debt	$78,466,536	
Percentage of Direct Debt to:		
8/1/2026 Estimated Taxable Value	11.84%	
1/1/2026 Certified Taxable Value	12.62%	
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2026 Estimated Taxable Value	23.68%	
1/1/2026 Certified Taxable Value	25.24%	
2026 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.50	
Road Debt Service Tax	$0.07	
Maintenance Tax	$0.68	
Total 2026 Tax Rate	$1.25	

(a) The Estimated Taxable Value as of 8/1/2026 was prepared by MCAD and provided to the District for informational purposes only. Such value is not binding on MCAD and values resulting from new land development or commercial building construction in the District subsequent to January 1, 2026, will not be included on the District's tax roll until the January 1, 2027, certified tax roll is prepared and fully certified by MCAD during the second half of calendar year 2027. See "TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2026, Certified Taxable Value according to data supplied to the District by MCAD. The figure above reflects the taxable value of property that is fully certified ($280,948,375) and 85% of the taxable value of the properties that are still with the certification process ($35,270,251). See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

		Estimated Overlapping	
Taxing Entity	**Outstanding Debt**	**Percent**	**Amount**
Lone Star College	$342,055,000	0.09%	$296,384
Montgomery County	$535,450,000	0.27%	$1,470,889
Splendora Independent School District	$232,505,000	16.12%	$37,477,536
Total Estimated Overlapping Debt			**$39,244,809**
The District (a)			$39,230,000
Total Direct & Estimated Overlapping Debt			**$78,474,809**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the District's historical tax collections information as of July 31, 2026, for the years 2021 through 2026. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Tax Year	Taxable Valuation	Tax Rate (a)	Tax Levy	Cumulative Tax Collections	Tax Year Ending September 30
2026	$310,928,088	$1.25	$3,886,601	(b)	2027
2025	$298,901,866	$1.25	$3,736,273	98%	2026
2024	$234,892,008	$1.25	$2,936,150	100%	2025
2023	$175,818,668	$1.25	$2,197,733	100%	2024
2022	$120,015,047	$1.25	$1,500,188	100% (c)	2023
2021	$95,304,637	$1.25	$1,191,308	100% (c)	2022

(a) See "Tax Rate Distribution" herein.

(b) The 2026 taxes are in the process of being collected. The 2026 taxes become delinquent if not paid on or before January 31, 2027.

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 statutory 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 September 11, 2004. In 2026, the District levied a maintenance tax of $0.68 per $100 of assessed valuation for operations and maintenance purposes. See "- Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2022 through 2026.

	2026	2025	2024	2023	2022
Debt Service	$0.50	$0.50	$0.38	$0.38	$0.31
Road Debt Service	$0.07	$0.07	$0.07	$0.14	$0.14
Maintenance/Operation	$0.68	$0.68	$0.80	$0.73	$0.80
Total	**$1.25**	**$1.25**	**$1.25**	**$1.25**	**$1.25**

Additional Penalties

The District has contracted with Perdue Fielder Collins & Mott LLP to contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District has established an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The list of the 10 largest taxpayers on the 2026 tax roll and the other information included in this table was provided by MCAD is based upon the certified tax rolls net of any exemptions from taxation. This table does not reflect any supplements or corrections subject to the date of the information provided by MCAD. Additionally, the table does not reflect the sale of properties that may have taken place subsequent to January 1, 2026.

Property Owner	Property Description	Property Value	% of Total
BRTX LLC (a)	Land, Improvements, Personal Property	$16,650,210	5.36%
New Caney 242 Investments LP	Land	$9,537,903	3.07%
Bonaventure Hospitality HS	Land, Improvements	$7,411,986	2.38%
Advantage Public Storage LLC	Land	$6,381,001	2.05%
CFJ Properties #734	Land, Improvements	$6,193,200	1.99%
Jet Lending LLC	Land, Improvements	$5,455,000	1.75%
GT Operating Co. Inc. (a)	Land, Improvements	$5,313,936	1.71%
Speedsportz Racing Park at Grand Texas LLC	Land	$5,295,161	1.70%
McCoy Corporation	Land, Improvements	$4,132,951	1.33%
Bay Mountain Find LLC	Land	$3,727,268	1.20%
TOTAL		**$69,855,738**	**22.54%**

(a) Represents an entity that is part of the Original Developer (as defined herein) or affiliated with the Original Developer. The Original Developer and affiliates/related parties to the Developer (including those entities identified in the table above as well as certain other entities) represent approximately 7% of the District's 2026 tax roll. For purposes of calculating the percentage of the 2026 tax roll, the taxable value for the District includes $29,979,713 of value that MCAD believes will ultimately be certified to a total value of $310,928,088.

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 deferments for 2022 through 2026.

	Type of Property					
Year	**Land**	**Improvements**	**Personal Property**	**Gross Valuation**	**Exemptions**	**Taxable Valuation**
2026	$109,156,099	$178,236,983	$19,624,844	$307,017,926	$26,339,784	$280,678,142 (a)
2025	$118,229,821	$181,246,334	$21,495,318	$320,971,473	$22,069,606	$298,901,867
2024	$110,080,798	$113,160,883	$18,935,854	$242,177,535	$6,969,907	$235,207,628
2023	$87,260,950	$75,407,190	$19,164,833	$181,832,973	$5,441,315	$176,391,658
2022	$74,340,950	$31,703,340	$16,545,933	$122,590,223	$2,575,176	$120,015,047

(a) Reflects the January 1, 2026, Certified Taxable Value according to data supplied to the District by MCAD. The figure above reflects the taxable value of property that is fully certified ($280,948,375) plus $29,979,713 that are still under review in the certification process. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2025 taxes levied by overlapping taxing jurisdictions. 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.

Taxing Jurisdictions	**2025 Tax Rate**
Splendora Independent School District	$1.254700
Montgomery County	$0.377000
Montgomery County Hospital District	$0.047300
Lone Star College System	$0.106000
Montgomery Co. Emergency Service Dist. No. 7	$0.100000
Overlapping Taxes Total	**$1.885000**
The District (2026)	$1.250000
Estimated Total Tax Rate	**$3.135000**

Tax Adequacy of Tax Revenue

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 8/1/2026 Estimated Taxable Valuation and the 1/1/2026 Certified Taxable Valuation and utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds. See "RISK FACTORS – Principal Taxpayers" and "- Financial Condition of the Developer/Developer Affiliates."

Maximum Annual Debt Service Requirements (2049) ..... $2,722,487 (a)

Requires a $0.87 debt service tax rate on the 8/1/2026 Estimated Taxable Value
@ 95% collections produces ..... $2,738,317 (a)

Requires a $0.93 debt service tax rate on the 1/1/2026 Certified Taxable Value
@ 95% collections produces ..... $2,747,050 (a)

(a) Preliminary, subject to change.

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 of 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 (see "DISTRICT 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"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

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 not to grant any exemptions for the elderly and 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. 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.

The surviving spouse of a first responder who is killed or fatally injured the 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 acted 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 Patton Village may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Patton Village (after annexation), Montgomery County, Splendora 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. 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. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

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

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District. A determination as to a district's status as a 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 2026 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 "DISTRICT TAX DATA - 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.

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 and land designated for agricultural use and six months for all other 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, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. 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 the FIRREA provisions are valid and applicable to any property in the District and to the extent that the 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.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Patton Village

Under existing Texas law, since the District lies within the extraterritorial jurisdiction of more than one municipality, the District may select the municipality that may exercise authority within the District as a whole. Accordingly, by Resolution of the Board of Directors of the District dated February 12, 2007, the Board of Directors of the District established that the City of Patton Village shall have the right to exercise all powers over the District related to extraterritorial jurisdiction, to the exclusion of the City of Woodbranch Village. The District may be annexed by the City of Patton Village without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days, except as provided below under "Strategic Partnership Agreement." Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City of Patton Village, and therefore, the District makes no representation that the City of Patton Village will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City of Patton Village to pay debt service on the District's bonds if annexation were to occur.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Patton Village to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general-purpose annexation or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. No such Agreement is currently contemplated with respect to the District although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

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. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

THE BONDS

General

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. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds represent the sixth series of bonds to be issued by the District. The Bonds are dated and will bear interest from November 1, 2026, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, bonds maturing on April 1 in the years 2029 and 2055 in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2027, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in minimum denominations of $5,000 and any integral multiple of $5,000 in any one maturity. The principal amount for each maturity 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. 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 beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by 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 15th calendar day of the month immediately preceding 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.

Optional Redemption

The District reserves the right to redeem, prior to maturity the Bonds maturing on April 1, 2032, in whole or in part from time to time, on April 1, 2031, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. Notice of each exercise of the right of redemption will be given at least 30 days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners (the "Registered Owners") of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing direct annual ad valorem tax, without legal limitation as to maximum rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Patton Village, or any entity other than the District.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner now or hereafter permitted by law. Under current tax law such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) 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 issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are

extinguished; provided however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

The Bond Order will confirm the creation of the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds and any additional road bonds payable from debt service taxes which may be issued in the future by the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Order that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Authorized and Unissued Bonds

After the issuance of the Bonds, the District will have $20,875,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District. The District has $5,850,000 authorized but unissued unlimited tax bonds that may be used for the purpose of financing road facilities to serve the District, $20,000,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing park and recreational facilities to serve the District, and $57,000,000 authorized but unissued bonds that may be used to refund bonds previously issued.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is Zions Bancorporation, National Association, 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" above 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.

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 Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter 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 affect 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.

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, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers and otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing businesses in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. 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 ration to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable

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

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 will designate the Bonds as "qualified tax-exempt obligations" and has represented 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.

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriter 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, including the alternative minimum tax on corporations. 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 DISTRICT – Authority," “MANAGEMENT OF THE DISTRICT (Bond Counsel),” “TAXING PROCEDURES,” “THE BONDS,” “TAX MATTERS,” and “LEGAL MATTERS – Legal Opinion” 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 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 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 that 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.

Consultants

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 "DESCRIPTION OF THE DISTRICT'S SYSTEM" and certain engineering matters included in "THE DISTRICT – Description and Location" and "THE DISTRICT - Status of Land Development/Land Uses in the District," have been provided by Bleyl Engineering, and have 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 "DISTRICT TAX DATA," has been provided by the Montgomery Central Appraisal District and by Utility Tax Services, LLC, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The audited financial statements of the District and the accompanying report by McGrath & Co., PLLC, Certified Public Accountants, as shown in "APPENDIX A," have been published with the agreement of McGrath & Co., PLLC, Certified Public Accountants, and are included in "APPENDIX A."

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Marks Richardson PC, 3355 W. Alabama St., Suite 350, Houston, TX, 77098.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in the Notice of Sale, 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 Notice of Sale, 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.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Initial Purchasers.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of East Montgomery County Municipal Utility District No. 4 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDING JUNE 30, 2025

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2025

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McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
East Montgomery County Municipal Utility District No. 4
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. 4 (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 East Montgomery County Municipal Utility District No. 4, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
October 2, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of East Montgomery County Municipal Utility District No. 4 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at June 30, 2025, was negative $5,304,454. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of June 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 6,853,084	$ 4,926,204
Capital assets	27,640,545	28,096,865
Total assets	34,493,629	33,023,069
Current liabilities	796,842	616,761
Long-term liabilities	39,001,241	39,201,241
Total liabilities	39,798,083	39,818,002
Net position		
Net investment in capital assets	(5,613,847)	(5,257,519)
Restricted	1,598,502	1,401,730
Unrestricted	(1,289,109)	(2,939,144)
Total net position	$ (5,304,454)	$ (6,794,933)

The total net position of the District increased during the current fiscal year by $1,490,479. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 3,121,720	$ 2,324,413
Water and sewer service	806,657	738,589
Other	557,687	587,364
Total revenues	4,486,064	3,650,366
Expenses		
Current service operations	1,472,815	1,312,508
Debt interest and fees	860,200	636,604
Developer interest		592,925
Debt issuance costs		579,590
Depreciation	662,570	641,945
Total expenses	2,995,585	3,763,572
Change in net position	1,490,479	(113,206)
Net position, beginning of year	(6,794,933)	(6,681,727)
Net position, end of year	$ (5,304,454)	$ (6,794,933)

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2025, were $6,124,865, which consists of $4,389,760 in the General Fund, $1,694,892 in the Debt Service Fund, and $40,213 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 4,916,502	$ 3,163,573
Total liabilities	$ 383,975	$ 227,349
Total deferred inflows	142,767	106,467
Total fund balance	4,389,760	2,829,757
Total liabilities, deferred inflows and fund balance	$ 4,916,502	$ 3,163,573

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

	2025	2024
Total revenues	$ 3,152,854	$ 2,574,100
Total expenditures	(1,592,851)	(1,325,043)
Revenues over expenditures	$ 1,560,003	$ 1,249,057

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 1,811,369	$ 1,641,142
Total liabilities	$ -	$ 22,312
Total deferred inflows	116,477	103,284
Total fund balance	1,694,892	1,515,546
Total liabilities, deferred inflows and fund balance	$ 1,811,369	$ 1,641,142

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

	2025	2024
Total revenues	$ 1,277,769	$ 1,113,908
Total expenditures	(1,098,423)	(789,379)
Revenues over expenditures	179,346	324,529
Other changes in fund balance		355,000
Net change in fund balance	$ 179,346	$ 679,529

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. During the previous fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 125,213	$ 121,489
Total liabilities	$ 85,000	$ 85,000
Total fund balance	40,213	36,489
Total liabilities and fund balance	$ 125,213	$ 121,489

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

	2025	2024
Total revenues	$ 5,948	$ 6,304
Total expenditures	(2,224)	(6,731,730)
Revenues over/(under) expenditures	3,724	(6,725,426)
Other changes in fund balance		6,745,000
Net change in fund balance	$ 3,724	$ 19,574

The District did not have any significant capital asset activity during the current year. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $596,941 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at June 30, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 5,513,080	$ 5,513,080
Construction in progress	52,065	52,065
	5,565,145	5,565,145
Capital assets being depreciated		
Infrastructure	25,368,281	25,162,031
Less accumulated depreciation	(3,292,881)	(2,630,311)
Depreciable capital assets, net	22,075,400	22,531,720
Capital assets, net	$ 27,640,545	$ 28,096,865

Capital asset additions during the current fiscal year consist of water meters.

The District's construction in progress is for the construction of the Wastewater Treatment Plant access road and detention pond.

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed.

Long-Term Debt and Related Liabilities

As of June 30, 2025, the District owes approximately $22,171,241 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of $9,070,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At June 30, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2019	$ 3,945,000	$ 3,970,000
2019A	2,485,000	2,535,000
2020 Road	3,500,000	3,575,000
2024	7,100,000	7,100,000
	$ 17,030,000	$ 17,180,000

At June 30, 2025, the District had $43,275,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $20,000,000 for parks and recreational facilities; $5,850,000 for road improvements and $57,000,000 for refunding purposes.

Property Taxes

The District's property tax base increased approximately $37,730,000 for the 2025 tax year from $233,548,071 to $271,277,769. This increase was primarily due to new construction in the District and increased property values. For the 2025 tax year, the District has levied a maintenance tax rate of $0.68 per $100 of assessed value; a water, sewer and drainage debt service tax rate of $0.50 per $100 of assessed value; and a road debt service tax rate of $0.07 per $100 of assessed value, for a total combined tax rate of $1.25 per $100 of assessed value. Tax rates for the 2024 tax year were $0.80 per $100 for maintenance and operations and $0.07 per $100 for road debt service tax rate and $0.38 per $100 for water, sewer and drainage debt service tax rate for a combined total of $1.25 per $100 of assessed value.

Next Year's Budget

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

	2025 Actual	2026 Budget
Total revenues	$ 3,152,854	$ 3,244,275
Total expenditures	(1,592,851)	(2,031,985)
Revenues over expenditures	1,560,003	1,212,290
Beginning fund balance	2,829,757	4,389,760
Ending fund balance	$ 4,389,760	$ 5,602,050

Basic Financial Statements

East Montgomery County Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 346,171	$ 317,448	$ -	$ 663,619	$ -	$ 663,619
Investments	4,084,647	1,549,310	125,213	5,759,170		5,759,170
Taxes receivable	142,767	116,477		259,244		259,244
Customer service receivables	141,968			141,968		141,968
Internal balances	171,866	(171,866)				
Prepaid items	29,083			29,083		29,083
Capital assets not being depreciated					5,565,145	5,565,145
Capital assets, net					22,075,400	22,075,400
Total Assets	$ 4,916,502	$ 1,811,369	$ 125,213	$ 6,853,084	27,640,545	34,493,629
Liabilities						
Accounts payable	$ 131,567	$ -	$ -	$ 131,567		131,567
Other payables	7,097			7,097		7,097
Customer deposits	110,681			110,681		110,681
Construction advances	3,250			3,250		3,250
Unearned revenue	131,380			131,380		131,380
Accrued interest payable					212,867	212,867
Due to developer			85,000	85,000	22,086,241	22,171,241
Long-term debt						
Due within one year					200,000	200,000
Due after one year					16,830,000	16,830,000
Total Liabilities	383,975		85,000	468,975	39,329,108	39,798,083
Deferred Inflows of Resources						
Deferred property taxes	142,767	116,477		259,244	(259,244)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	29,083			29,083	(29,083)	
Restricted		1,694,892	40,213	1,735,105	(1,735,105)	
Unassigned	4,360,677			4,360,677	(4,360,677)	
Total Fund Balances	4,389,760	1,694,892	40,213	6,124,865	(6,124,865)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,916,502	$ 1,811,369	$ 125,213	$ 6,853,084		
Net Position						
Net investment in capital assets					(5,613,847)	(5,613,847)
Restricted for debt service					1,598,502	1,598,502
Unrestricted					(1,289,109)	(1,289,109)
Total Net Position					$ (5,304,454)	$ (5,304,454)

See notes to basic financial statements.

East Montgomery County Municipal Utility District No. 4
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 435,962	$ -	$ -	$ 435,962	$ -	$ 435,962
Sewer service	370,695			370,695		370,695
Property taxes	1,829,635	1,043,601		2,873,236	41,931	2,915,167
Penalties and interest	36,620	162,371		198,991	7,562	206,553
Tap connection and inspection	320,307			320,307		320,307
Miscellaneous	4,450	1,639		6,089		6,089
Investment earnings	155,185	70,158	5,948	231,291		231,291
Total Revenues	3,152,854	1,277,769	5,948	4,436,571	49,493	4,486,064
Expenditures/Expenses						
Current service operations						
Professional fees	283,141		1,776	284,917		284,917
Contracted services	330,516	71,366	448	402,330		402,330
Repairs and maintenance	604,259			604,259		604,259
Utilities	54,260			54,260		54,260
Administrative	49,535	12,624		62,159		62,159
Other	64,890			64,890		64,890
Capital outlay	206,250			206,250	(206,250)	
Debt service						
Principal		150,000		150,000	(150,000)	
Interest and fees		864,433		864,433	(4,233)	860,200
Depreciation					662,570	662,570
Total Expenditures/Expenses	1,592,851	1,098,423	2,224	2,693,498	302,087	2,995,585
Revenues Over Expenditures	1,560,003	179,346	3,724	1,743,073	(1,743,073)	
Change in Net Position					1,490,479	1,490,479
Fund Balances/Net Position						
Beginning of the year	2,829,757	1,515,546	36,489	4,381,792	(11,176,725)	(6,794,933)
End of the year	$ 4,389,760	$ 1,694,892	$ 40,213	$ 6,124,865	$ (11,429,319)	$ (5,304,454)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of East Montgomery County Municipal Utility District No. 4 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Senate Bill No. 745, an order of the Texas 78th Legislature, Regular Session of the State of Texas effective September 1, 2003, and operates in accordance with Chapters 49 and 54 of the Texas Water Code and Section 59 Article XVI of the Texas Constitution. The Board of Directors held its first meeting on November 4, 2003, and the first bonds were issued on March 28, 2019.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District is responsible for providing water, sewer and drainage facilities within the District. The District transfers road facilities to Montgomery County for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have

many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, water and sewer service fees and tap connection and inspection fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

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

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

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 6,124,865
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 30,933,426	
Less accumulated depreciation	(3,292,881)	
		27,640,545
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(212,867)	
Due to developer	(22,086,241)	
Bonds payable	(17,030,000)	
		(39,329,108)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		259,244
Total net position - governmental activities		$ (5,304,454)

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

Net change in fund balances - total governmental funds		$ 1,743,073
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		49,493
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 206,250	
Depreciation expense	(662,570)	
		(456,320)
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Principal payments	150,000	
Interest expense accrual	4,233	
		154,233
Change in net position of governmental activities		$ 1,490,479

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

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

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

As of June 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	$ 4,084,647		
	Debt Service	1,549,310		
	Capital Projects	125,213		
		$ 5,759,170	AAAm	37 days

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair

value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at June 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 171,866	Maintenance tax collections not remitted as of year end.

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 5,513,080	$ -	$ 5,513,080
Construction in progress	52,065		52,065
	5,565,145		5,565,145
Capital assets being depreciated			
Infrastructure	25,162,031	206,250	25,368,281
Less accumulated depreciation	(2,630,311)	(662,570)	(3,292,881)
Subtotal depreciable capital assets, net	22,531,720	(456,320)	22,075,400
Capital assets, net	$ 28,096,865	$ (456,320)	$ 27,640,545

Depreciation expense for the current fiscal year was $662,570.

Note 6 – Construction Advances

On February 20, 2020, the District entered into an escrow agreement with M/I Homes of Houston, LLC and GT Operating Company Incorporated ("GTOC") to construct water, wastewater, and drainage facilities and roadways to serve a 79.55055-acre tract within the District's boundaries (the "M/I Property") and certain tracts located around and adjacent to the M/I Property for commercial, entertainment and hospitality uses. Under the agreement, GTOC advanced funds to the District to design and construct certain infrastructure improvements. As of June 30, 2025, the balance of unexpended construction advances was $3,250.

Note 7 – Due to Developers

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

The District's developers have also advanced funds to the District for operating expenses.

The due to developer balance of $21,171,241 as of June 30, 2025, was unchanged from prior year.Estimated amounts owed to each developer are as follows:

GT Operating Company, Inc.	$ 6,129,781
M/I Homes of Houston	10,443,484
Friendswood Development	4,869,607
Speed Street Partners, LLC	364,309
Palmetto Apex Real Estate Fund, LP	364,060
	$ 22,171,241

During the fiscal year ending June 30, 2020, the District withheld $85,000 from the Series 2020 Unlimited Tax Road Bond proceeds to make any repairs required by Montgomery County in order to include the Speed Street Extension into the County's Maintenance program. Any remaining funds in the Road Reserve Fund will be released to the developer once the road is accepted by the county.

In addition, the District will owe the developers approximately $9,070,000, which is included in the schedule of contractual commitments that follows this paragraph. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount*
Regional detention pond 3 excavation	$ 310,000
Wastewater treatment plant access road	70,000
Wastewater treatment plant expansion - 0.180 mgd	3,340,000
Remote water well	3,180,000
Pinewood at Grand Texas - Lift Station	900,000
Pinewood at Grand Texas, Section 9 - utilities	1,270,000
	$ 9,070,000

*Rounded to the nearest $10,000

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 17,030,000
Due within one year	$ 200,000

The District's bonds payable at June 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2019	$ 3,945,000	$ 4,045,000	5.625% - 5.875%	April 1, 2022 - 2049	October 1, April 1	April 1, 2028
2019A	2,485,000	2,580,000	5.125% - 5.375%	April 1, 2024 - 2049	October 1, April 1	April 1, 2028
2020 Road	3,500,000	3,650,000	4.750% - 5.125%	April 1, 2024 - 2049	October 1, April 1	April 1, 2029
2024	7,100,000	7,100,000	4.00% - 7.00%	April 1, 2027 - 2052	October 1, April 1	April 1, 2029
	$ 17,030,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At June 30, 2025, the District had authorized but unissued bonds in the amount of $43,275,000 for water, sewer and drainage facilities; $20,000,000 for park and recreational facilities; $5,850,000 for road improvements and $57,000,000 for refunding purposes.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$ 17,180,000
Bonds retired	(150,000)
Bonds payable, end of year	$ 17,030,000

As of June 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 200,000	$ 851,469	$ 1,051,469
2027	350,000	841,126	1,191,126
2028	360,000	820,281	1,180,281
2029	390,000	798,901	1,188,901
2030	400,000	775,676	1,175,676
2031	440,000	751,514	1,191,514
2032	450,000	728,270	1,178,270
2033	490,000	706,214	1,196,214
2034	520,000	682,301	1,202,301
2035	535,000	656,814	1,191,814
2036	545,000	630,469	1,175,469
2037	585,000	603,563	1,188,563
2038	630,000	574,801	1,204,801
2039	670,000	543,632	1,213,632
2040	685,000	510,607	1,195,607
2041	755,000	476,724	1,231,724
2042	800,000	439,439	1,239,439
2043	820,000	400,001	1,220,001
2044	890,000	359,438	1,249,438
2045	915,000	315,443	1,230,443
2046	965,000	269,625	1,234,625
2047	1,040,000	221,356	1,261,356
2048	1,070,000	169,355	1,239,355
2049	1,150,000	115,642	1,265,642
2050	425,000	57,906	482,906
2051	450,000	40,375	490,375
2052	500,000	21,250	521,250
	$ 17,030,000	$ 13,362,192	$ 30,392,192

Note 9 – Property Taxes

On September 11, 2004, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.25 per $100 of assessed value, of which $0.80 was allocated to maintenance and operations and $0.07 was allocated to road debt service and $0.38 was allocated to water, sewer and drainage debt service. The resulting tax levy was $2,919,351 on the adjusted taxable value of $233,548,071.

Property taxes receivable, at June 30, 2025, consisted of the following:

Current year taxes receivable	$ 212,180
Prior years taxes receivable	11,849
	224,029
Penalty and interest receivable	35,215
Property taxes receivable	$ 259,244

Note 10 – Risk Management

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

Note 11 – Subsequent Event

On August 7, 2025, the District approved a preliminary official statement and notice of sale for its Series 2025 Unlimited Tax Bonds in the amount of $12,550,000. The acceptance of bids and award of sale is scheduled for October 9, 2025. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in "Due to developer."

Required Supplementary Information

East Montgomery County Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 396,500	$ 396,500	$ 435,962	$ 39,462
Sewer service	305,000	305,000	370,695	65,695
Property taxes	1,350,000	1,350,000	1,829,635	479,635
Penalties and interest	23,000	23,000	36,620	13,620
Tap connection and inspection	391,500	391,500	320,307	(71,193)
Miscellaneous	3,000	3,000	4,450	1,450
Investment earnings	80,030	80,030	155,185	75,155
Total Revenues	2,549,030	2,549,030	3,152,854	603,824
Expenditures				
Current service operations				
Professional fees	352,700	352,700	283,141	69,559
Contracted services	262,600	262,600	330,516	(67,916)
Repairs and maintenance	340,158	422,278	604,259	(181,981)
Utilities	53,300	53,300	54,260	(960)
Administrative	73,300	73,300	49,535	23,765
Other	71,790	71,790	64,890	6,900
Capital outlay	350,000	350,000	206,250	143,750
Total Expenditures	1,503,848	1,585,968	1,592,851	(6,883)
Revenues Over Expenditures	1,045,182	963,062	1,560,003	596,941
Fund Balance				
Beginning of the year	2,829,757	2,829,757	2,829,757	
End of the year	$ 3,874,939	$ 3,792,819	$ 4,389,760	$ 596,941

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

East Montgomery County Municipal Utility District No. 4
TSI-1. Services and Rates
June 30, 2025

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

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

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

[ ] Other (Specify): _____

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 28.25	3,000	N	$ 1.50	3,001	to	5,000
				$ 1.75	5,001	to	10,000
				$ 2.25	10,001	to	20,000
				$ 2.75	20,001	to	no limit
Wastewater:	$ 28.25	3,000	N	$ 1.00	3,001	to	no limit
Surcharge:	$ 0.11		N	$ 0.11	0	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 41.10 Wastewater $ 35.25

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	778	778	x 1.0	778
1"	5	5	x 2.5	13
1.5"	6	6	x 5.0	30
2"	11	11	x 8.0	88
3"			x 15.0	
4"	1	1	x 25.0	25
6"	2	2	x 50.0	100
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	804	804		1,114
Total Wastewater	803	803	x 1.0	803

See accompanying auditor's report.

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

Gallons pumped into system:	110,889,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	103,897,000	93.69%

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

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

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

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

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

5. Location of District:

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

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

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

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

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

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

ETJs in which the District is located: City of Patton Village

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

If Yes, by whom? _____

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-2. General Fund Expenditures
For the Year Ended June 30, 2025

Professional fees	
Legal	$ 134,026
Audit	16,000
Financial advisor	1,400
Engineering	131,715
	283,141
Contracted services	
Bookkeeping	67,656
Operator	51,615
Garbage collection	186,226
Inspection	25,019
	330,516
Repairs and maintenance	604,259
Utilities	54,260
Administrative	
Directors fees	16,002
Printing and office supplies	3,848
Insurance	8,518
Other	21,167
	49,535
Other	64,890
Capital outlay	206,250
Total expenditures	$ 1,592,851

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-3. Investments
June 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Texas CLASS	Variable	N/A	$ 4,049,802
Texas CLASS	Variable	N/A	34,845
			4,084,647
Debt Service			
Texas CLASS	Variable	N/A	1,328,018
Texas CLASS	Variable	N/A	221,292
			1,549,310
Capital Projects			
Texas CLASS	Variable	N/A	13,742
Texas CLASS	Variable	N/A	98,668
Texas CLASS	Variable	N/A	12,803
			125,213
Total - All Funds			$ 5,759,170

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-4. Taxes Levied and Receivable
June 30, 2025

	Maintenance Taxes	Road Debt Service Taxes	WSD Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 106,467	$ 20,403	$ 55,228	$ 182,098
Adjustments to Prior Year Tax Levy	(3,597)	(689)	(1,864)	(6,150)
Adjusted Receivable	102,870	19,714	53,364	175,948
2024 Original Tax Levy	1,824,738	159,665	866,751	2,851,154
Adjustments	43,646	3,819	20,732	68,197
Adjusted Tax Levy	1,868,384	163,484	887,483	2,919,351
Total to be accounted for	1,971,254	183,198	940,847	3,095,299
Tax collections:				
Current year	1,732,589	151,602	822,980	2,707,171
Prior years	95,898	18,379	49,822	164,099
Total Collections	1,828,487	169,981	872,802	2,871,270
Taxes Receivable, End of Year	$ 142,767	$ 13,217	$ 68,045	$ 224,029
Taxes Receivable, By Years				
2024	$ 135,795	$ 11,882	$ 64,503	$ 212,180
2023	6,097	1,169	3,174	10,440
2022	794	139	307	1,240
2021	81	27	61	169
Taxes Receivable, End of Year	$ 142,767	$ 13,217	$ 68,045	$ 224,029

	2024	2023	2022	2021
Property Valuations:				
Land	$ 110,050,798	$ 87,244,450	$ 74,340,950	$ 67,810,220
Improvements	111,474,682	74,850,700	31,703,340	16,022,990
Personal Property	18,932,789	19,164,833	16,545,933	12,819,537
Exemptions	(6,910,198)	(5,441,315)	(2,565,264)	(1,348,110)
Total Property Valuations	$ 233,548,071	$ 175,818,668	$ 120,024,959	$ 95,304,637
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.80	$ 0.73	$ 0.80	$ 0.60
Road debt service tax rates	0.07	0.14	0.14	0.20
WSD debt service tax rates	0.38	0.38	0.31	0.45
Total Tax Rates per $100 Valuation	$ 1.25	$ 1.25	$ 1.25	$ 1.25
Adjusted Tax Levy:	$ 2,919,351	$ 2,197,733	$ 1,500,312	$ 1,191,308
Percentage of Taxes Collected to Taxes Levied **	92.73%	99.52%	99.92%	99.99%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on September 11, 2004

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

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
June 30, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 75,000	$ 231,194	$ 306,194
2027	75,000	226,975	301,975
2028	80,000	222,756	302,756
2029	90,000	218,256	308,256
2030	95,000	212,969	307,969
2031	100,000	207,388	307,388
2032	105,000	201,513	306,513
2033	115,000	195,344	310,344
2034	120,000	188,588	308,588
2035	130,000	181,538	311,538
2036	135,000	173,900	308,900
2037	145,000	165,969	310,969
2038	155,000	157,450	312,450
2039	165,000	148,344	313,344
2040	175,000	138,650	313,650
2041	185,000	128,367	313,367
2042	200,000	117,500	317,500
2043	210,000	105,750	315,750
2044	225,000	93,413	318,413
2045	240,000	80,193	320,193
2046	255,000	66,093	321,093
2047	270,000	51,112	321,112
2048	290,000	35,250	325,250
2049	310,000	18,212	328,212
	$ 3,945,000	$ 3,566,724	$ 7,511,724

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2019A--by Years
June 30, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 50,000	$ 133,181	$ 183,181
2027	50,000	130,619	180,619
2028	55,000	128,056	183,056
2029	50,000	125,238	175,238
2030	55,000	122,550	177,550
2031	65,000	119,594	184,594
2032	70,000	116,100	186,100
2033	75,000	112,338	187,338
2034	75,000	108,306	183,306
2035	80,000	104,275	184,275
2036	85,000	99,975	184,975
2037	90,000	95,406	185,406
2038	100,000	90,569	190,569
2039	105,000	85,194	190,194
2040	110,000	79,550	189,550
2041	120,000	73,638	193,638
2042	125,000	67,188	192,188
2043	135,000	60,469	195,469
2044	140,000	53,212	193,212
2045	150,000	45,687	195,687
2046	160,000	37,625	197,625
2047	170,000	29,025	199,025
2048	180,000	19,887	199,887
2049	190,000	10,212	200,212
	$ 2,485,000	$ 2,047,894	$ 4,532,894

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2020 Road--by Years
June 30, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 75,000	$ 178,156	$ 253,156
2027	75,000	174,594	249,594
2028	75,000	171,031	246,031
2029	100,000	167,469	267,469
2030	100,000	162,719	262,719
2031	100,000	157,594	257,594
2032	100,000	152,469	252,469
2033	100,000	147,344	247,344
2034	125,000	142,219	267,219
2035	125,000	135,813	260,813
2036	125,000	129,406	254,406
2037	125,000	123,000	248,000
2038	150,000	116,594	266,594
2039	150,000	108,906	258,906
2040	150,000	101,219	251,219
2041	175,000	93,531	268,531
2042	175,000	84,563	259,563
2043	175,000	75,594	250,594
2044	200,000	66,625	266,625
2045	200,000	56,375	256,375
2046	200,000	46,125	246,125
2047	225,000	35,875	260,875
2048	225,000	24,343	249,343
2049	250,000	12,812	262,812
	$ 3,500,000	$ 2,664,376	$ 6,164,376

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
June 30, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ -	$ 308,938	$ 308,938
2027	150,000	308,938	458,938
2028	150,000	298,438	448,438
2029	150,000	287,938	437,938
2030	150,000	277,438	427,438
2031	175,000	266,938	441,938
2032	175,000	258,188	433,188
2033	200,000	251,188	451,188
2034	200,000	243,188	443,188
2035	200,000	235,188	435,188
2036	200,000	227,188	427,188
2037	225,000	219,188	444,188
2038	225,000	210,188	435,188
2039	250,000	201,188	451,188
2040	250,000	191,188	441,188
2041	275,000	181,188	456,188
2042	300,000	170,188	470,188
2043	300,000	158,188	458,188
2044	325,000	146,188	471,188
2045	325,000	133,188	458,188
2046	350,000	119,782	469,782
2047	375,000	105,344	480,344
2048	375,000	89,875	464,875
2049	400,000	74,406	474,406
2050	425,000	57,906	482,906
2051	450,000	40,375	490,375
2052	500,000	21,250	521,250
	$ 7,100,000	$ 5,083,198	$ 12,183,198

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 200,000	$ 851,469	$ 1,051,469
2027	350,000	841,126	1,191,126
2028	360,000	820,281	1,180,281
2029	390,000	798,901	1,188,901
2030	400,000	775,676	1,175,676
2031	440,000	751,514	1,191,514
2032	450,000	728,270	1,178,270
2033	490,000	706,214	1,196,214
2034	520,000	682,301	1,202,301
2035	535,000	656,814	1,191,814
2036	545,000	630,469	1,175,469
2037	585,000	603,563	1,188,563
2038	630,000	574,801	1,204,801
2039	670,000	543,632	1,213,632
2040	685,000	510,607	1,195,607
2041	755,000	476,724	1,231,724
2042	800,000	439,439	1,239,439
2043	820,000	400,001	1,220,001
2044	890,000	359,438	1,249,438
2045	915,000	315,443	1,230,443
2046	965,000	269,625	1,234,625
2047	1,040,000	221,356	1,261,356
2048	1,070,000	169,355	1,239,355
2049	1,150,000	115,642	1,265,642
2050	425,000	57,906	482,906
2051	450,000	40,375	490,375
2052	500,000	21,250	521,250
	$ 17,030,000	$ 13,362,192	$ 30,392,192

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 4
TSI-6. Change in Long-Term Bonded Debt
June 30, 2025

	Bond Issue			
	Series 2019	Series 2019A	Series 2020 Road	Series 2024
Interest rate	5.625% - 5.875%	5.125% - 5.375%	4.750% - 5.125%	4.00% - 7.00%
Dates interest payable	10/1; 4/1	10/1; 4/1	10/1; 4/1	10/1; 4/1
Maturity dates	4/1/22 - 4/1/49	4/1/24 - 4/1/49	4/1/24 - 4/1/49	4/1/27 - 4/1/52
Beginning bonds outstanding	$ 3,970,000	$ 2,535,000	$ 3,575,000	$ 7,100,000
Bonds retired	(25,000)	(50,000)	(75,000)	
Ending bonds outstanding	$ 3,945,000	$ 2,485,000	$ 3,500,000	$ 7,100,000
Interest paid during fiscal year	$ 232,600	$ 135,744	$ 181,719	$ 334,682
Paying agent's name and city				
All Series	Zions Bancorporation, National Association ("Amegy"), Houston, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Facilities Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	$ 57,000,000	$ 20,000,000	$ 9,500,000	$ 57,000,000
Amount Issued	(13,725,000)		(3,650,000)	
Remaining To Be Issued	$ 43,275,000	$ 20,000,000	$ 5,850,000	$ 57,000,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of June 30, 2025:	$ 1,866,758
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,125,637

See accompanying auditor's report.

Totals
$ 17,180,000
(150,000)
$ 17,030,000
$ 884,745

East Montgomery County Municipal Utility District No. 4
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	$ 435,962	$ 419,558	$ 225,665	$ 142,169	$ 67,636
Sewer service	370,695	319,031	161,101	137,087	61,993
Property taxes	1,829,635	1,283,157	870,968	555,900	458,734
Penalties and interest	36,620	22,585	15,469	25,955	17,528
Tap connection and inspection	320,307	420,795	367,494	308,950	118,776
Miscellaneous	4,450	5,837	4,045	2,105	26,817
Investment earnings	155,185	103,137	70,958	3,604	4,100
Total Revenues	3,152,854	2,574,100	1,715,700	1,175,770	755,584
Expenditures					
Current service operations					
Professional fees	283,141	344,089	281,605	284,633	230,489
Contracted services	330,516	248,777	459,615	285,160	109,166
Repairs and maintenance	604,259	248,440	194,537	167,926	81,785
Utilities	54,260	52,411	35,833	29,551	26,851
Administrative	49,535	64,975	51,101	41,913	34,164
Other	64,890	63,128	45,178	8,190	17,007
Capital outlay	206,250	303,223	423,984		24,976
Total Expenditures	1,592,851	1,325,043	1,491,853	817,373	524,438
Revenues Over Expenditures	$ 1,560,003	$ 1,249,057	$ 223,847	$ 358,397	$ 231,146
Total Active Retail Water Connections	804	636	303	151	16
Total Active Retail Wastewater Connections	803	627	307	138	7

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
14%	16%	13%	12%	9%
12%	12%	9%	12%	8%
58%	51%	52%	48%	60%
1%	1%	1%	2%	2%
10%	16%	21%	26%	16%
*	*	*	*	4%
5%	4%	4%	*	1%
100%	100%	100%	100%	100%
9%	13%	16%	24%	31%
10%	10%	27%	24%	14%
19%	10%	11%	14%	11%
2%	2%	2%	3%	4%
2%	3%	3%	4%	5%
2%	2%	3%	1%	2%
7%	12%	25%		3%
51%	52%	87%	70%	70%
49%	48%	13%	30%	30%

East Montgomery County Municipal Utility District No. 4
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 1,043,601	$ 908,906	$ 487,432	$ 603,304	$ 579,315
Penalties and interest	162,371	153,711	24,676	11,859	18,136
Miscellaneous	1,639	567	3,906		
Investment earnings	70,158	50,724	28,517	2,001	931
Total Revenues	1,277,769	1,113,908	544,531	617,164	598,382
Expenditures					
Tax collection services	83,990	85,541	11,655	806	182
Debt service					
Principal	150,000	145,000	25,000	25,000	
Interest and fees	864,433	558,838	560,244	561,650	579,179
Total Expenditures	1,098,423	789,379	596,899	587,456	579,361
Revenues Over (Under) Expenditures	$ 179,346	$ 324,529	$ (52,368)	$ 29,708	$ 19,021

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
82%	81%	89%	98%	97%
13%	14%	5%	2%	3%
*	*	1%		
5%	5%	5%	*	*
100%	100%	100%	100%	100%
7%	8%	2%	*	*
12%	13%	5%	4%	
68%	50%	103%	91%	97%
87%	71%	110%	95%	97%
13%	29%	(10%)	5%	3%

East Montgomery County Municipal Utility District No. 4
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2025

Complete District Mailing Address:	3700 Buffalo Speedway, Suite 830, Houston, TX 77098
District Business Telephone Number:	713-942-9922
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	September 19, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Falon Gunter	07/22 - 05/26	$ 3,536	$ 2,594	President
Caryn Adams	05/24 - 05/28	1,768	554	Vice President
Carie Chapman	10/22 - 05/26	2,431	655	Secretary/Treasurer
Nicholas Kob	05/22 - 05/26	1,989	517	Assistant Secretary
Gregory Cox	05/24 - 05/28	1,768	458	Director

Consultants		Amounts Paid	
Marks Richardson PC	2003		Attorney
General legal fees		$ 132,509	
TNG Utility Corporation	2004	575,297	Operator
Municipal Accounts & Consulting, LP	2003	118,635	Bookkeeper
Utility Tax Service, LLC	2022	9,490	Tax Collector
Montgomery Central Appraisal District	Legislation	22,864	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott	2023	39,039	Delinquent Tax Attorney
Bleyl & Associates	2014	147,513	Engineer
McGrath & Co., PLLC	2016	16,000	Auditor
The GMS Group	2014	1,400	Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)