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.

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 3 AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds will NOT be designated as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – NOT Qualified Tax-Exempt Obligations."

NEW ISSUE—BOOK-ENTRY-ONLY
CUSIP No. 15779P

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 3

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

$14,255,000	**$2,530,000**
UNLIMITED TAX BONDS	**UNLIMITED TAX ROAD BONDS**
SERIES 2026	**SERIES 2026A**

Dated: December 1, 2026 **Due: April 1 (as shown on inside cover)**
Interest Accrual Date: Date of Delivery

The $14,255,000 Unlimited Tax Bonds, Series 2026 (the "Series 2026 Bonds"), and the $2,530,000 Unlimited Tax Road Bonds, Series 2026A (the "Series 2026A Road Bonds," and collectively referred to herein as the "Bonds") are being issued by Chambers County Improvement District No. 3 (the "District"). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from date of delivery of the Bonds and is payable on April 1, 2027. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each October 1 and April 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds will mature in the amounts, on the dates, and bear interest at the rates and be reoffered as set forth below.

SEE INSIDE COVER FOR PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, AND REOFFERING YIELDS

The proceeds from the sale of the Series 2026 Bonds will be used by the District to: (1) reimburse the Developers (defined herein) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; and (3) pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2026 Bonds. The proceeds from the sale of the Series 2026A Road Bonds will be used by the District to: (1) reimburse the Developers for advancing funds to construct certain road improvements serving the District and engineering, and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; and (3) pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2026A Road Bonds. See "USE OF BOND PROCEEDS."

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, the initial Paying Agent/Registrar, as herein defined, directly to DTC, which will in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, Texas, the City of Baytown, Texas, or any entity other than the District. **Investment in the Bonds is subject to special risk factors described herein. See "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about December 15, 2026.

Bids Due: Tuesday, November 3, 2026 at 9:00 A.M. Houston Time
Bid Award: Tuesday, November 3, 2026 at 12:00 P.M. Houston Time

$14,255,000

UNLIMITED TAX BONDS
SERIES 2026

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$260,000	2029	%	%	$555,000	2042(b)	%	%
$275,000	2030	%	%	$585,000	2043(b)	%	%
$290,000	2031	%	%	$620,000	2044(b)	%	%
$310,000	2032(b)	%	%	$660,000	2045(b)	%	%
$325,000	2033(b)	%	%	$700,000	2046(b)	%	%
$345,000	2034(b)	%	%	$740,000	2047(b)	%	%
$370,000	2035(b)	%	%	$785,000	2048(b)	%	%
$390,000	2036(b)	%	%	$835,000	2049(b)	%	%
$415,000	2037(b)	%	%	$885,000	2050(b)	%	%
$440,000	2038(b)	%	%	$940,000	2051(b)	%	%
$465,000	2039(b)	%	%	$995,000	2052(b)	%	%
$495,000	2040(b)	%	%	$1,055,000	2053(b)	%	%
$520,000	2041(b)	%	%				

(a) The initial reoffering yields are established by and are the sole responsibility of the Series 2026 Bonds Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Series 2026 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 on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In the event the Series 2026 Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. If fewer than all of the Series 2026 Bonds within any one maturity are redeemed, the Series 2026 Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."

$2,530,000

UNLIMITED TAX ROAD BONDS
SERIES 2026A

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$45,000	2029	%	%	$100,000	2042(b)	%	%
$50,000	2030	%	%	$105,000	2043(b)	%	%
$50,000	2031	%	%	$110,000	2044(b)	%	%
$55,000	2032(b)	%	%	$115,000	2045(b)	%	%
$60,000	2033(b)	%	%	$125,000	2046(b)	%	%
$60,000	2034(b)	%	%	$130,000	2047(b)	%	%
$65,000	2035(b)	%	%	$140,000	2048(b)	%	%
$70,000	2036(b)	%	%	$150,000	2049(b)	%	%
$75,000	2037(b)	%	%	$155,000	2050(b)	%	%
$80,000	2038(b)	%	%	$165,000	2051(b)	%	%
$85,000	2039(b)	%	%	$175,000	2052(b)	%	%
$85,000	2040(b)	%	%	$185,000	2053(b)	%	%
$95,000	2041(b)	%	%				

(a) The initial reoffering yields are established by and are the sole responsibility of the Series 2026A Road Bonds Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Series 2026A Road 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 on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In the event the Series 2026A Road Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. If fewer than all of the Series 2026A Road Bonds within any one maturity are redeemed, the Series 2026A Road Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."

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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"), 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, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon the payment of the costs of duplication thereof.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. 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 (as hereinafter defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS, WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE " FORWARD-LOOKING STATEMENTS DISCLAIMER" HEREIN.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2026 Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Series 2026 Bonds Underwriter"), to purchase the Series 2026 Bonds bearing the rates shown on the inside cover page of this Official Statement at a price of _____% of par, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Series 2026A Road Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Series 2026A Road Bonds Underwriter"), to purchase the Series 2026A Road Bonds bearing the rates shown on the inside cover page of this Official Statement at a price of _____% of par, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Series 2026 Bonds Underwriter and the Series 2026A Road Bonds Underwriter shall be referred to herein collectively as the "Underwriters."

The Underwriters 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 inside cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

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

Prices and Marketability

Subject to certain limitations described further in the NOTICE OF SALE, the District has no understanding with the Underwriter regarding the initial reoffering yields or prices of the Bonds. Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

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. The Underwriters (as defined herein) may bid for the Bonds with or without bond insurance. If the Underwriters bid for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. 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 downgraded the Underwriters are still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale. See "RISK FACTORS – Risk Factors Related to the Purchase of Municipal Bond Insurance."

NO MUNICIPAL BOND RATING

In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Issuer: The District is a political subdivision of the State of Texas, created by an act of the 81st Legislature of the State of Texas, June 19, 2009, Regular Session pursuant to Senate Bill 2512, codified at Chapter 8361, Texas Special District Local Laws Code. The District was created as a special district under Article III, Section 52, and Article XVI, Section 59 of the Texas Constitution. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8361 of the Texas Special District Local Laws Code. The District, as it was originally created, included within its boundaries approximately 880 acres of land. Since its creation, the District has annexed certain tracts of land totaling approximately 124 acres, and presently includes within its boundaries approximately 1,004 acres of land. See "THE DISTRICT – General."

Location: The District is located in Chambers County, approximately 8 miles northeast of the central downtown business district of the City of Baytown, Texas (the "City") and approximately 30 miles east of the central downtown business district of the City of Houston, Texas. The District lies south of Interstate Highway 10, west of FM Road 3180, north of FM Road 565, and east of State Highway 146. The District is located entirely within the extraterritorial jurisdiction of the City and within the boundaries of Barbers Hill Independent School District. Access to the District is provided by way of State Highway 99 (Grand Parkway) extending south from Interstate Highway 10. See "THE DISTRICT – Description and Location" and "LOCATION MAP."

The Developers: The original developer in the District was Grand Parkway/Kilgore Parkway, LP, a Texas limited partnership, whose general partner is Parkside Capital, LLC, a Texas limited liability company. In 2018, Grand Parkway/Kilgore Parkway, LP sold its land holdings within the District to Bat Hawk Investments Group, LP ("Bat Hawk"), a Texas limited partnership, and assigned its developer financing agreement with the District to Bat Hawk. Bat Hawk is a single purpose entity created solely for the purpose of developing its approximately 260 acres of land holdings located within the District. The general partner of Bat Hawk is Bat Hawk Investments Group GP, LLC, a Texas limited liability company, which is a wholly owned subsidiary of Adkisson Group, Inc. ("Adkisson Group"). Adkisson Group is a privately held industrial real estate development and investment firm based in Houston, Texas focused on delivering comprehensive real estate services for industrial projects to private, institutional, and corporate clients. Adkisson Group has developed, leased, or sold over 10 million square feet of projects since its formation in 2014. The principals of Adkisson Group are Mr. Steve Adkisson and Mr. Arturo Creixell.

In February 2023, the District entered into a developer financing agreement with Kilgore Business LLC ("Kilgore Business"), a Texas limited liability company. Kilgore Business is a single purpose entity created solely for the purpose of developing its approximately 92 acres of land holdings located within the District. Additionally, in February 2023, the District annexed a tract of land totaling approximately 124 acres owned by Texan Hospitality, Inc. ("Texan Hospitality"), a Texas corporation, and entered into a developer financing agreement with Texan Hospitality. Texan Hospitality is a single purpose entity created solely for the purpose of developing its approximately 124 acres of land holdings located within the District. Subsequent to the annexation of such 124-acre tract, Texan Hospitality sold approximately 46 acres of its land holdings to IDV Kilgore, LLC (defined below) in one sale and sold approximately 75 acres of its land holdings to IDV Kilgore, LLC (defined below) in another sale in March, 2024, and retained ownership of the remaining approximately 3 acres located within the District. No specific development plans exist at this time for the 92-acre tract owned by Kilgore Business or the remaining 3-acre tract owned by Texan Hospitality. Kilgore Business and Texan Hospitality are entities that share common ownership. The owners of Kilgore Business and Texan Hospitality are Mr. John Khowaja, Mr. Alex Khowaja, and Mr. Ron Khowaja, who have over 60 years of combined experience in the real estate and development business in six different markets, and whose principal business has been the development of commercial, retail, single-family residential, and multi-family projects.

As described above, subsequent to the annexation of the 124-acre tract, Texan Hospitality sold approximately 121 acres of its land holdings to IDV Kilgore, LLC ("IDV Kilgore"), a Texas limited liability company, and the District entered into a developer financing agreement with IDV Kilgore relative to the development of its approximately 121-acre tract. IDV Kilgore is a single purpose entity created solely for the purpose of developing its approximately 121 acres of land holdings located within the District. IDV Kilgore is an affiliate of, and under common control of, Investment & Development Ventures, LLC ("IDV"). IDV is a privately held real estate investment, development, and management company based in Houston, Texas focused on developing institutional quality industrial projects. IDV has developed, leased, or sold

over 34 million square feet of projects totaling in excess of $1 billion in capitalization since its formation in 2013. The IDV team has over 150 years of combined experience in the real estate and development business. IDV currently has active projects in six different markets.

In June 2023, the District entered into a developer financing agreement with P9/Kilgore Grand Parkway PropCo, LP ("P9"), a Delaware limited partnership and single purpose entity created solely for the purpose of developing its approximately 34 acres of land holdings located within the District. The project is a partnership between the Avera Companies, LLC ("Avera") and a large institutional investor. Avera is a privately held real estate development, construction, and investment firm based in Houston, Texas, focused on developing office and industrial projects. Avera has acquired, developed, built, leased, and sold more than 5 million square feet of projects covering over 4,000 acres in transactions totaling in excess of $800 million in capitalization since its formation in 2002. Avera, including its operating companies, has completed projects throughout Texas and in 22 other states around the country. The leadership of Avera has over 115 years of combined experience in the real estate and development business. Avera's partner in the project is a global real estate investment firm with assets under management approaching $100 billion.

In February 2025, District entered into a developer financing agreement with East Bay Trade Center Owner, LLC ("East Bay"), a Delaware limited liability company and single purpose entity created solely for the purpose of developing its approximately 66 acres of land holdings located within the District. The owner of East Bay is a joint venture between Rockefeller Group, a New-York City-based developer, owner and operator in the real estate industry, and Falcon Commercial Development, a privately-owned industrial development firm based in Houston, Texas. They developed a logistics park in the District, consisting of two industrial buildings totaling 557,339 square feet, which was completed in the fourth quarter of 2025. In December 2025, East Bay sold the two industrial buildings to XLR8 Realty, LLC. The current user and operator of the buildings is Gulf Coast Crating, who originally put the buildings under contract and assigned the purchase and sale agreement to XLR8 Realty, LLC prior to closing.

In October 2026, the District entered into a developer financing agreement with Grand Port Logistics Park, LLC ("Grand Port"), a Delaware limited liability company and single purpose entity created solely for the purpose of developing its approximately 76 acres of land holdings located within the District. Grand Port is an affiliate of, and under common control of, Hillwood Development Company, LLC ("Hillwood"). Hillwood, a Perot Company, is a Dallas-based national real estate development company owned by H. Ross Perot, Jr., with over 30 years of experience developing land in Texas. Hillwood's development expertise and experience encompasses diverse product types, including: sports arenas, high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.

In March 2022, Bat Hawk sold approximately 76 acres of land within the District to Carson Companies, LLC ("Carson Companies"). Carson Companies is an industrial developer in the real estate industry based in Newport Beach, California. They have developed two industrial building in the District, totaling approximately 439,330 in square feet on approximately 27 acres. They have plans to develop a third industrial building, approximately 644,634 square feet on approximately 50 acres, which is currently still in the design phase.

Bat Hawk, Kilgore Business, Texan Hospitality, IDV Kilgore, P9, Grand Port, East Bay and Carson Companies are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

Principal Taxpayers: The ten principal taxpayers within the District represent $241,870,863 or approximately 68.94% of the 2026 Certified Taxable Value of $350,852,228, which represents ownership as of January 1, 2026. Based upon the 2026 certified tax rolls, the top three (3) taxpayers include XLR8 Realty LLC, IDV Kilgore LLC and P9/Kilgore Grand Parkway Propco, which are responsible for approximately 42.41% of the District's 2026 taxes levied on approximately $148,779,903 of taxable land, improvements and personal property. See "TAX DATA – Principal Taxpayers" and "RISK FACTORS – Dependence on Principal Taxpayers."

Status of Development: The District is being developed for commercial and industrial purposes in the master planned business park known as the Bay Ten Business Park, a project which contains: (i) light industrial and manufacturing buildings; (ii) warehouse distribution centers; and (iii) developed sites for additional commercial and industrial building development. As of October 1, 2026, the District consists of approximately 325 acres that have been developed with utilities and improved with commercial or industrial buildings, approximately 92 acres that have been developed with utilities and yet to be improved with commercial or industrial buildings, 0 acres currently under development, approximately 310 acres available for future development, and approximately 277 undevelopable acres that include street rights-of-way, District plant sites, detention ponds, drainage easements, and park, recreational, and open spaces. As of October 1, 2026, building development within the District consists of approximately 31 completed buildings, totaling approximately 2,550,681 square feet, 5 buildings under construction, totaling approximately 178,822 square feet, and 2

buildings planned for construction on sites totaling approximately 166 acres. See "THE DISTRICT – Land Uses and Status of Land Development," "– Status of Commercial and Industrial Building Development," and "AERIAL PHOTOGRAPH."

Payment Record: The District has previously issued two (2) series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities (the "Utility System"), of which $12,310,000 principal amount is outstanding as of October 1, 2026 (the "Outstanding Utility Bonds") and has previously issued one (1) series of unlimited tax road bonds for the purpose or acquiring or constructing a road system (the "Road System"), of which $5,735,000 principal amount is outstanding as of October 1, 2026 (the "Outstanding Road Bonds," and collectively with the Outstanding Utility Bonds, the "Outstanding Bonds"). $18,045,000 principal amount of Outstanding Bonds remain outstanding as of October 1, 2026. The District has never defaulted in the timely payment of principal of or interest on its Outstanding Bonds.

THE BONDS

Description: The $14,255,000 Unlimited Tax Bonds, Series 2026 (herein the "Series 2026 Bonds"), and the $2,530,000 Unlimited Tax Road Bonds, Series 2026A (the "Series 2026A Road Bonds" and together with the Series 2026 Bonds, the "Bonds") are dated December 1, 2026. The Bonds represent the fourth and fifth series of bonds to be issued by Chambers County Improvement District No. 3 (the "District"). The Series 2026 Bonds represent the third series of bonds to be issued by the District for the purpose of constructing or acquiring a water, wastewater, and drainage system to serve the District (the "Utility System"), and the Series 2026A Road Bonds represent the second series of bonds to be issued by the District for the purpose of constructing or acquiring a road system to serve the District (the "Road System"). The Bonds mature on April 1 in the years as shown in the table on the inside cover page of this Official Statement. The Bonds are being issued as fully registered bonds pursuant to separate bond orders authorizing the issuance of the Bonds (the "Bond Orders") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature on April 1 in the years as shown on the cover page of this Official Statement. The Bonds will be issued in book-entry form only in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds initially accrues from the date of delivery and is payable on April 1, 2027. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each October 1 and April 1 until maturity or prior redemption. See "THE BONDS."

Book-Entry-Only System: 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 Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption: Bonds maturing on or after April 1, 2032, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on April 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

Use of Proceeds: Proceeds from the Series 2026 Bonds will be used by the District to: (a) reimburse certain of the Developers for advancing funds for the construction of water, sanitary sewer, and drainage facilities and associated engineering, testing, and land acquisition costs; and (b) pay developer interest, bond issuance and administrative expenses associated with the sale and delivery of the Series 2026 Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS – Use and Distribution of Series 2026 Bond Proceeds."

Proceeds from the sale of the Series 2026A Road Bonds will be used by the District to: (1) reimburse the Developers for advancing funds to construct certain road improvements serving the District and engineering, and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; and (3) pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2026A Road Bonds. See "USE OF BOND PROCEEDS – Use and Distribution of Series 2026A Road Bond Proceeds."

Authority for Issuance: The Series 2026 Bonds are the third series of bonds issued out of an aggregate of $76,495,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of the Utility System and the Series 2026A Road Bonds are the second series of bonds issued out of an aggregate of $71,765,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of the Road System. The Bonds are issued by the District pursuant to the general laws of the State of Texas, including without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8361, Texas Special District Local Laws Code, Article XVI, Section 59 of the Texas Constitution, an election held within the boundaries of the District on May 14, 2011, the Bond Orders, and an order of the Texas Commission on Environmental Quality ("TCEQ") for the Series 2026 Bonds. See "THE BONDS – Authority for Issuance."

Source of Payment: The Bonds are payable from an annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Chambers County, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."

No Municipal Bond Rating: The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service. It is not anticipated that the District would have received an investment grade rating had such rating been applied for. See "NO MUNICIPAL BOND RATING."

Municipal Bond Insurance: The District has applied to AG and BAM for qualification of the Bonds for bond insurance. The Underwriters may bid for the Bonds with or without bond insurance. If the Underwriters bid for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriters. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale.

NOT Qualified Tax Exempt Obligations: The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 (b) of the Internal Revenue Code of 1986 as amended. See "LEGAL MATTERS – NOT Qualified Tax-Exempt Obligations."

Bond Counsel: Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT – District Consultants" and "LEGAL MATTERS."

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

Financial Advisor: The GMS Group, L.L.C., Houston, Texas. See "MANAGEMENT OF THE DISTRICT – District Consultants."

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS – Method of Payment of Principal and Interest."

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors. Prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Certified Taxable Value	$350,852,228	(a)
Direct Debt:		
The Outstanding Bonds (as of the date of delivery)	$18,045,000	
The Series 2026 Bonds	$14,255,000	
The Series 2026A Road Bonds	$2,530,000	(b)
Total Direct Debt	$34,830,000	
Estimated Overlapping Debt	$13,521,425	(c)
Direct and Estimated Overlapping Debt	$48,351,425	
Percentage of Direct Debt to:		
2026 Certified Taxable Value	9.93%	
Percentage of Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Value	13.78%	
2026 Tax Rate Per $100 of Assessed Value		
Debt Service Tax (Utility Bonds)	$0.45	
Debt Service Tax (Road Bonds)	$0.14	
Maintenance Tax	$0.66	
Total 2026 Tax Rate	$1.25	
Cash and Temporary Investment Balances:		
General Fund as of October 14, 2026	$5,083,415	
Water, Sewer and Drainage Bond Fund as of October 14, 2026	$450,062	(d)
Road Bond Fund as of as of October 14, 2026	$118,576	(e)

(a) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by the Chambers County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Represents the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Estimated Overlapping Debt."

(d) Such funds are reserved for payment of debt service on bonds issued to finance water, wastewater and storm drainage facilities ("Outstanding Utility Bonds"), including the Series 2026 Bonds, and are not available for payment of debt service on bonds issued to finance road facilities ("Outstanding Road Bonds"), such as the Series 2026A Bonds. Although the outstanding Utility Bonds and the Series 2026 Bonds have been and are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Outstanding Utility Bonds and debt service on Outstanding Road Bonds. See "THE BONDS – Funds."

(e) Such funds are reserved for payment of debt service on the Outstanding Road Bonds, including the Series 2026A Road Bonds, and are not available for payment of debt service on the Series 2026 Bonds or Outstanding Utility Bonds. See "THE BONDS – Funds." Although the Series 2026A Bonds are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Outstanding Utility Bonds and Outstanding Road Bonds.

PRELIMINARY OFFICIAL STATEMENT
relating to
CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located within Chambers County)

$14,255,000
UNLIMITED TAX BONDS
SERIES 2026

$2,530,000
UNLIMITED TAX ROAD BONDS
SERIES 2026A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Chambers County Improvement District No. 3 (the "District") of its $14,255,000 Unlimited Tax Bonds, Series 2026 (the "Series 2026 Bonds") and its $2,530,000 Unlimited Tax Road Bonds, Series 2026A (the "Series 2026A Bonds"). The Series 2026 Bonds and the Series 2026A Bonds are collectively referred to herein as the "Bonds."

The Bonds are issued pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, Chapter 8361, Texas Special District Local Laws Code, the general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an approving order of the Texas Commission on Environmental Quality (the "TCEQ") for the Series 2026 Bonds, an election held within the District, and separate orders authorizing the issuance of the Bonds (collectively, the "Bond Orders") adopted by the Board of Directors of the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Orders, and certain other information about the District, the Developers, and the development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, Texas, the City of Baytown, Texas (the "City"), or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS – Source and Security of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners' of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the observations of the District's Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the District's system did not sustain any material damage as a result of Hurricane Harvey. Furthermore, the District's Operator and Engineer have no knowledge of any structural flooding or other material damage of any taxable property within the District as a result of Hurricane Harvey.

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 or other casualty 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.

Risk of Catastrophic Loss

In the event a natural or manmade event, such as a hurricane, fire, earthquake, tornado, explosion, terrorist attack, or other event, destroyed one of the major facilities located in the District, the appraised value of real and personal property within the District could be drastically reduced. Given the District's proximity to Galveston Bay (and thus the Gulf of Mexico) and to the Port of Houston and Houston Ship Channel, the District is vulnerable to damages caused by hurricanes and terrorist attacks. Further, given that many of the major facilities in the District are distribution facilities, operations in the District could be interrupted if a hurricane, terrorist attack or other event did not directly affect properties in the District, but severely damaged transportation facilities in the area, such as the Houston Ship Channel, railroad facilities, bridges and roads. See "Extreme Weather Events" herein.

Specific Flood Type 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.

River (or Fluvial) Flooding – River flooding occurs when water levels rise over the top of a 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 overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

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

Dependence on Principal Taxpayers

The top ten principal taxpayers within the District represent $241,870,863 or approximately 68.94% of the 2026 Certified Taxable Value of $350,852,228, which represents ownership as of January 1, 2026. Based upon the 2026 certified tax rolls, the top three (3) taxpayers include XLR8 Realty LLC, IDV Kilgore LLC and P9/Kilgore Grand parkway Propco, which are responsible for approximately 42.41% of the District's 2026 taxes levied on approximately $148,779,903 of taxable land, improvements and personal property. See "THE DEVELOPERS" and "TAX DATA – Principal Taxpayers."

The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Orders, nor is it required by Texas law, to maintain any particular balance in its Bond Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds. See "Tax Collection Limitations and Foreclosure Remedies" herein, and "TAXING PROCEDURES – Levy and Collection of Taxes."

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

General Risks of Real Estate Investment and Development

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. Many factors may affect the development of real estate, including the schedule for and/or the costs of the various improvements to be constructed, as well as the operating revenues of any developer, including those derived from the development within the District, are not within the control of said developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market

preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of any homes to be built in the District, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of any developer.

Trade Disruptions and Increase in Costs of Building Materials

Much of the development in the District includes warehouse distribution facilities, which may be dependent on foreign trade, and a significant portion of the District's tax base is comprised of personal property (see "Dependence on Personal Property Collections" herein). As a result of ongoing trade disputes including tariffs and retaliatory tariffs, the volume of personal property within the District could be materially impacted. Further, trade disruptions based on unpredictable tariff policy (including the threatened imposition of tariffs) could increase the cost of materials for new construction in the District. Any material impacts to the volume of personal property and decreased levels of construction activity within the District could restrict the growth of property values or could adversely impact existing values. The District makes no representations regarding the effects that current or future economic or governmental circumstances may have on property values or construction activity within the District.

Dependence on Personal Property Tax Collections

Because substantially all of the District's 2026 tax base is comprised of industrial, manufacturing, and commercial facilities, approximately 16.85% ($59,134,080) of the 2026 Certified Taxable Value ($350,852,228) is personal property. See "TAX DATA – Tax Roll Information" and "TAXING PROCEDURES – Property Subject to Taxation by the District."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories 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. 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. 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 limitations period 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."

Atlas 14

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

Potential Effects of Oil Price Volatility 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 commercial and light industrial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry may have on property values in the District.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of industrial, manufacturing, and commercial facilities, developed land, and vacant tracts of land. The market value of such properties is related to general economic conditions in Houston (including the oil and gas industry), the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for industrial, manufacturing, and commercial facilities of this type 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 properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" below and "THE DISTRICT – Status of Commercial and Industrial Building Development."

Vacant, Developed Tracts and Undeveloped Acreage

Approximately 92 acres in the District have been developed with utilities but have yet to be improved with commercial or industrial buildings. Although there are currently 5 buildings under construction, and 4 buildings planned for construction on sites totaling approximately 166 acres, the District makes no representation as to when such construction will be complete or whether taxable improvements will ultimately be built on the developed acres. Failure to construct taxable improvements on the acreage served with trunk utilities could restrict the rate of growth of taxable values in the District. In addition, approximately 310 developable acres are available for future commercial or industrial development. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of the City of Houston, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the Houston metropolitan area and the nation could adversely affect development and construction plans in the District and restrain the growth or reduce the value of the District's property tax base.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Certified Taxable Value is $350,852,228. After issuance of the Bonds, the maximum annual debt service requirement will be $12,596,613 (2049). Assuming no increase or decrease from the 2026 Certified Taxable Value, the issuance of no additional debt, and no other funds available for the payment of debt service, a combined debt service tax rate of $0.79 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Tax Adequacy for Debt Service."

Tax Collections Limitations and Foreclosure Remedies

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). 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 assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six 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."

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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the right to seek 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 Orders. Except for mandamus, the Bond Orders do 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 does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it 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 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. Texas law requires a district, such as the District, to obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") as a condition to seeking relief under the Federal Bankruptcy Code.

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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the statutory 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 Orders. Except for mandamus, the Bond Orders do 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 does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) 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. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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, the 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 Owner could potentially and adversely impair the value of the Registered Owner's 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 a district.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $76,495,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. Following the issuance of the Series 2026 Bonds, $49,625,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. A total of $71,765,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of acquiring or constructing road facilities. Following the issuance of the Series 2026A Road Bonds, $63,295,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

With the consent of the District, the Developers have financed and have not been reimbursed for the design and construction of water, sanitary sewer and drainage facilities to serve ongoing and future phases of development within the District, as well as other District facilities, including road facilities. According to the Engineer, after reimbursements are made with Bond proceeds, the costs of such facilities owed to the Developers are approximately $8,600,000. The District intends to issue additional bonds in the future in order to reimburse the Developers for water, sanitary sewer and drainage facilities and road facilities constructed or under construction and to provide major drainage facilities and channel improvements to the remainder of undeveloped but developable land in the District, pursuant to the terms of the Developers' respective utility development agreements with the District. Generally, the utility development agreements with the District provide that the Developers will be reimbursed based upon the taxable value created. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The issuance of additional bonds is subject to (among other requirements) the approval of the TCEQ (where required) and its rules regarding the issuance of bonds. See "THE BONDS – Issuance of Additional Debt" and "Financing Road Facilities."

Marketability of the Bonds

Subject to certain limitations described further in the Notice of Sale, 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 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 bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, as such bonds are more generally bought, sold or traded in the secondary market.

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

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

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

The 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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a commitment for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. Investors should be aware of the following investment considerations:

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer and its claims paying ability. The 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 insurer and of the ratings on the Bonds insured by the insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds. See description of "MUNICIPAL BOND INSURANCE."

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 insurer, particularly over the life of the investment. See "BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such legislation, administrative action, or court decision could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Orders on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "LEGAL MATTERS – Tax Exemption."

No Credit Rating

The District has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders, copies of which are available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated December 1, 2026, with interest payable on April 1, 2027, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the date of delivery of the Bonds, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 in the years and in the amounts shown on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 14, 2011, voters of the District authorized a total of $76,495,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "Utility System"), and the voters of the District authorized a total of $71,765,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities (the "Road System"). The Series 2026 Bonds constitute the third issuance of bonds from the Utility System authorization and the Series 2026A Road Bonds constitute the second issuance from the Road System authorization. Following the issuance of the Series 2026 Bonds, $49,625,000 in principal amount of said unlimited tax bonds will remain authorized but unissued and following the issuance of the Series 2026A Road Bonds, $63,295,000 in principal amount of said unlimited tax bonds will remain authorized but unissued.

The Bonds are issued pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, Chapter 8361, Texas Special District Local Laws Code, the general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an approving order of the Texas Commission on Environmental Quality (the "TCEQ") for the Series 2026 Bonds, an election held within the District, and separate orders authorizing the issuance of the Bonds (collectively, the "Bond Orders") adopted by the Board of Directors of the District.

Source and Security for Payment

The Bonds, together with any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the City of Baytown, Texas, Chambers County, Texas, the State of Texas or any political subdivision or entity other than the District.

Funds

The Bond Orders confirm the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance the Utility System ("Utility Bonds") from funds received to pay debt service on bonds issued to finance the Road System ("Road Bonds"). The Bond Orders also confirm the District's Construction Fund, including the sub-accounts which are used to separate proceeds from the Utility Bonds and the Road Bonds. All remaining proceeds of the Series 2026 Bonds will be deposited in the sub-account of the Construction Fund created in respect of Utility Bonds and all remaining proceeds of the Series 2026A Road Bonds will be deposited in the sub-account of the Construction Fund created in respect of Road Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Series 2026 Bonds authorized by the Series 2026 Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Utility Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Utility Bonds are to be used for payment of debt service on the Series 2026 Bonds and any of the District's duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Utility Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Series 2026 Bonds and any of the Districts duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road Bonds, will not be allocated to the payment of the Series 2026 Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Series 2026A Road Bonds authorized by the Series 2026A Road Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Road Bonds are to be used for payment of debt service on the Series 2026A Road Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Series 2026A Road Bonds and any of the Districts duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Utility Bonds, will not be allocated to the payment of the Series 2026A Road Bonds.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise

of the reserved right of optional redemption shall be given by the Paying Agent Registrar at least thirty (30) calendar days prior to the date fixed for redemption ("Redemption Date"), in the manner specified in the Bond Order.

Effects of Redemption

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

At an election held within the District on May 14, 2011, voters of the District authorized a total of $76,495,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing Utility System. The Series 2026 Bonds constitute the third issuance of bonds from such authorization. After the issuance of the Series 2026 Bonds, a total of $49,625,000 in principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued.

At such election, the voters of the District authorized a total of $71,765,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities (the “Road System”). The Series 2026A Road Bonds constitute the second issuance of bonds from such authorization. After the issuance of the Series 2026A Road Bonds, a total of $63,295,000 in principal amount of unlimited tax bonds for the Road System will remain authorized but unissued.

The Bonds are issued pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, Chapter 8361, Texas Special District Local Laws Code, the general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an approving order of the Texas Commission on Environmental Quality (the “TCEQ”) for the Series 2026 Bonds, an election held within the District, and separate orders authorizing the issuance of the Bonds (the "Bond Orders") adopted by the Board of Directors of the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters of the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

On November 15, 2012, the District entered into an Agreement for Emergency Protection Services (the “Emergency Services Agreement”) with the City for the provision of emergency protection services. The District’s obligations under the fire plan and agreement are not payable from or secured by District taxes and no bonds will be issued by the District pursuant to such fire plan or agreement. See “THE DISTRICT – Agreement for Emergency Protection Services.”

Financing Road Facilities

The District was created by an act of the 81st Legislature of the State of Texas, June 19, 2009, Regular Session pursuant to Senate Bill 2512, codified at Chapter 8361, Texas Special District Local Laws Code, as a special district under Article III, Section 52, and Article XVI, Section 59 of the Texas Constitution, which included the granting of road powers. At an election held within the District on May 14, 2011, the voters of the District authorized a total of $71,765,000 principal amount of unlimited tax bonds for financing and constructing road facilities. Following the issuance of the Series 2026A Road Bonds, $63,295,000 in principal amount will remain authorized but unissued. See "– Issuance of Additional Debt" herein and “RISK FACTORS – Future Debt." Issuance of additional bonds for road facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District’s assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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

Remedies in Event of Default

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 Orders, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See “RISK FACTORS – Registered Owners’ Remedies.”

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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 the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Use and Distribution of Series 2026 Bond Proceeds

Proceeds from the Series 2026 Bonds will be used by the District to: (a) reimburse certain of the Developers for advancing funds for the construction of water, sanitary sewer, and drainage facilities and associated engineering and testing; and (b) pay developer interest, bond issuance and administrative expenses associated with the sale of the Bonds.

The non-construction costs listed below are based upon either contract amounts or estimates of various costs by the District Engineer. The actual amounts to be reimbursed by the District and the non-construction costs will be determined after the sale of the Bonds and agreed upon procedures are completed by the District's independent auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used subject to TCEQ approval.

CONSTRUCTION COSTS	**Total Amount**	
Construction Costs (including engineering and testing)	$11,637,850	
TOTAL CONSTRUCTION COSTS	**$11,637,850**	
NON-CONSTRUCTION COSTS		
Bond Discount	$427,650	
Developer Interest	$1,536,019	
Contingency	$0	(a)
TOTAL NON-CONSTRUCTION COSTS	**$1,963,669**	
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$558,343	
Bond Engineering Report Costs	$50,000	
State Regulatory Fees	$45,138	
TOTAL ISSUANCE COSTS AND FEES	**$653,481**	
TOTAL BOND ISSUE REQUIREMENT	**$14,255,000**	

(a) The District will designate any surplus Series 2026 Bond proceeds resulting from the sale of the Series 2026 Bonds at a lower interest rate than the estimated rate as a contingency line item in the Official Statement. Such funds may be used by the District only after approval by the Board and the TCEQ.

Use and Distribution of Series 2026A Road Bond Proceeds

Proceeds from the Series 2026A Road Bonds will be used by the District to: (a) reimburse certain of the Developers for advancing funds for the construction of water, sanitary sewer, and drainage facilities and associated engineering and testing, and (b) pay developer interest, bond issuance and administrative expenses associated with the sale of the Bonds.

The non-construction costs listed below are based upon either contract amounts or estimates of various costs by the District Engineer. The actual amounts to be reimbursed by the District and the non-construction costs will be determined after the sale of the Bonds and agreed upon procedures are completed by the District's independent auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS	**Total Amount**	
Construction Costs (including engineering and testing)	$1,956,117	
TOTAL CONSTRUCTION COSTS	**$1,956,117**	
NON-CONSTRUCTION COSTS		
Bond Discount	$75,900	
Developer Interest	$297,802	
Contingency	$0	(a)
TOTAL NON-CONSTRUCTION COSTS	**$373,702**	
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$177,152	
Bond Engineering Report Costs	$20,500	
State Regulatory Fees	$2,530	
TOTAL ISSUANCE COSTS AND FEES	**$200,182**	
TOTAL BOND ISSUE REQUIREMENT	**$2,530,000**	

(b) The District will designate any surplus Series 2026A Road Bond proceeds resulting from the sale of the Series 2026A Bonds at a lower interest rate than the estimated rate as a contingency line item in the Official Statement. Such funds may be used by the District only after approval by the Board.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by an act of the 81st Legislature of the State of Texas, June 19, 2009, Regular Session pursuant to Senate Bill 2512, codified at Chapter 8361, Texas Special District Local Laws Code. The District was created as a special district under Article III, Section 52, and Article XVI, Section 59 of the Texas Constitution. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8361 of the Texas Special District Local Laws Code. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

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

The District is required to observe certain requirements of the City of Baytown, Texas (the "City") which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road, and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City and filed in the real property records of Chambers County, Texas. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing, and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description and Location

The District, as it was originally created, included within its boundaries approximately 880 acres of land. Since its creation, the District has annexed certain tracts of land totaling approximately 124 acres, and presently includes within its boundaries approximately 1,004 acres of land. See "Land Uses and Status of Land Development" herein. The District is located in Chambers County, approximately 8 miles northeast of the central downtown business district of the City and approximately 30 miles east of the central downtown business district of the City of Houston, Texas. The District lies south of Interstate Highway 10, west of FM Road 3180, north of FM Road 565, and east of State Highway 146. The District is located entirely within the extraterritorial jurisdiction of the City and within the boundaries of Barbers Hill Independent School District. Access to the District is provided by way of State Highway 99 (Grand Parkway) extending south from Interstate Highway 10. See "LOCATION MAP."

Agreement for Emergency Protection Services

On November 15, 2012, the District entered into the Agreement for Emergency Protection Services (the "Emergency Services Agreement") with the City. The City has agreed to provide fire protection services to the District in return for quarterly payments for the costs of providing such services. The quarterly payment is determined by the then assessed value within the District and is payable on the first day of January, April, July and October of the contract year. Additionally, the District will pay for any materials used to repair or replace any equipment damaged or destroyed in connection with providing service within the District. The District's obligations under the fire plan and Emergency Services Agreement are not payable from or secured by District taxes and no bonds will be issued by the District pursuant to such fire plan or Emergency Services Agreement.

Strategic Partnership Agreement

The District and the City have entered into a Strategic Partnership Agreement dated effective April 13, 2012 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for a portion of the District in order to apply certain City health, safety, planning, and zoning ordinances within the District. After the SPA expired on March 3, 2025, it was automatically extended for an additional five-year term and will be subject to additional five-year extensions, unless either party gives written notice of termination prior to the date of any such automatic extension. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS – Annexation." As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of October 1, 2026, appears in the following table. See "AERIAL PHOTOGRAPH" for further illustration of the status of land development within the District.

Type of Land Use	Approximate Acres
Developed and Improved Acres (a)	325
Developed and Unimproved Acres (b)	92
Acres Under Development (c)	0
Additional Developable Acres (d)	310
Undevelopable Acres (e)	277
Total Approximate Acres	**1,004**

(a) Represents land that has been developed with utilities and improved for commercial and industrial purposes. See "– Status of Commercial and Industrial Building Development" herein.

(b) Represents land that has been developed with utilities, but has yet to be improved with commercial or industrial buildings. See "RISK FACTORS – Vacant, Developed Tracts and Undeveloped Acreage."

(c) Represents land that is currently being developed with utilities or under construction.

(d) Represents land available for future commercial or industrial development. Such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon. See "RISK FACTORS – Vacant, Developed Tracts and Undeveloped Acreage."

(e) Includes street rights-of-way, District plant sites, detention ponds, drainage easements, and park, recreational, and open spaces.

Status of Commercial and Industrial Building Development

The District is being developed for commercial and industrial purposes in the master planned business park known as the Bay Ten Business Park, a project which contains: (i) light industrial and manufacturing buildings; (ii) warehouse distribution centers; and (iii) developed sites for additional commercial and industrial building development. A summary of the approximate status of commercial and industrial building development in the District as of October 1, 2026, appears in the following table.

COMPLETED BUILDINGS

Owner and/or Tenant	Size (sq. ft.)	Type of Business
Texas Materials Group (a)	112,000	Warehouse and distribution
National Tube Supply Co. (b)	100,000	Warehouse and distribution
S.A.F.E. Chemical	13,000	Warehouse and distribution
Alajen Bay 10 Properties, LLC Building 1	6,000	Warehouse and distribution
Alajen Bay 10 Properties, LLC Building 2	18,000	Warehouse and distribution
Alajen Bay 10 Properties, LLC Building 3	5,000	Office and manufacturing
Alajen Bay 10 Properties, LLC Building 4	18,750	Office and manufacturing
Alajen Bay 10 Properties, LLC Building 5	33,000	Office and manufacturing
Azure Houston Investment Partners, LP (c)	25,000	Warehouse and distribution
Azure Houston Investment Partners, LP (d)	25,000	Warehouse and distribution
JJKP Investments, LLC (e)	20,000	Warehouse and distribution
Azure Houston Investment Partners, LP (f)	25,000	Warehouse and distribution
Azure Houston Investment Partners, LP (g)	41,425	Warehouse and distribution
GCC Business Holding, LLC (h)	10,500	Warehouse and distribution
GBP Small Industrial 2, LLC (i)	10,500	Warehouse and distribution
GBP Small Industrial 2, LLC (j)	12,250	Warehouse and distribution
Oliver Bay 10, LLC Bldg 4 (k)	12,000	Warehouse and distribution
GBP Small Industrial 2, LLC Bldg 5 (l)	6,500	Warehouse and distribution
GBP Small Industrial 2, LLC Bldg 7 (m)	6,500	Warehouse and distribution
EquipmentShare.com Inc (n)	20,000	Warehouse and distribution
Lawson Real Estate Holdings, LLC (o)	26,300	Warehouse and trucking
Effective Intent, LLC (p)	24,700	Warehouse and office
Townsend Group Properties, LLC (q)	10,000	Warehouse and distribution
Oasis Kilgore Properties, LLC	10,100	Gas station and truck stop
P9/Kilgore Grand Parkway Propco, LP	484,712	Warehouse, distribution and office
East Bay Trade Center Building A	307,595	Warehouse and distribution
East Bay Trade Center Building B	249,739	Warehouse and distribution
IDV Grandport 99 Building A (Phase 1) (r)	336,510	Warehouse and distribution
IDV Grandport 99 Building B (Phase 1)	141,270	Warehouse and distribution
Carson Companies Building 1	222,976	Warehouse and distribution
Carson Companies Building 2	216,354	Warehouse and distribution
Total Square Feet (Completed Buildings)	**2,550,681**	

BUILDINGS UNDER CONSTRUCTION

Owner and/or Tenant	Size (sq. ft.)	Type of Business
Morreale Properties, LLC Building 1	76,590	Warehouse and fabrication
Morreale Properties, LLC Building 2	78,454	Warehouse and fabrication
Morreale Properties, LLC Building 3	11,658	Painting
Morreale Properties, LLC Building 4	7,620	Office
Morreale Properties, LLC Building 5	4,500	Fabrication
Total Square Feet (Buildings Under Construction)	**178,822**	

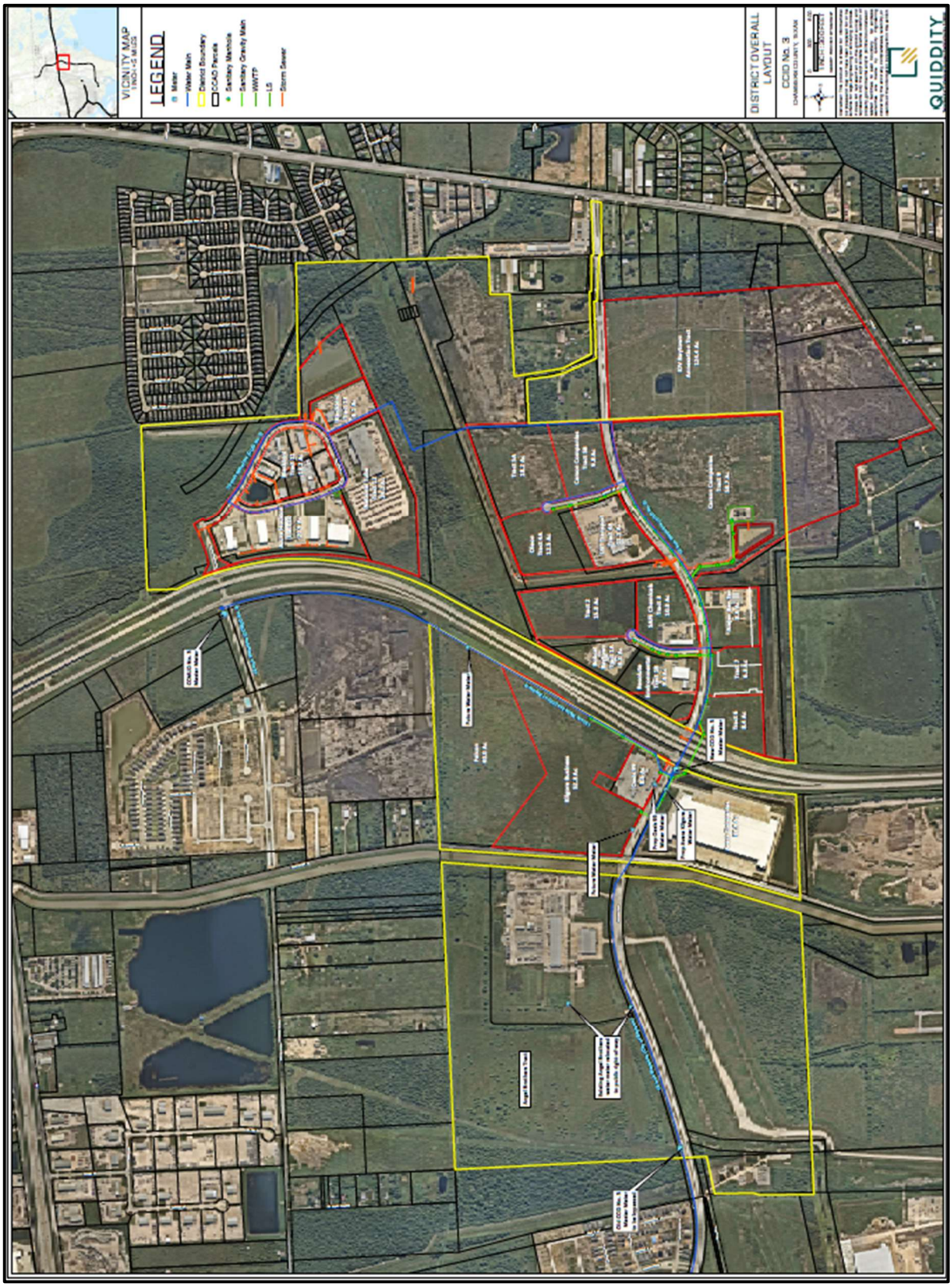
BUILDINGS PLANNED FOR CONSTRUCTION

Owner and/or Tenant	Size (acres)	Type of Business
Carson Bay 10, LLC	50.18	-
FL Tucker, LLC	18.41	-
GBP Small Industrial 2, LLC Land	1.16	-
IDV Kilgore, LLC	79.87	-
Total Acres (Building Sites Planned for Construction)	**149.62**	

(a) The building was formerly occupied by Angel Brothers Properties LLC. See "TAX DATA – Principal Taxpayers."
(b) See "TAX DATA – Principal Taxpayers."
(c) The current tenant of the building is White Cap, LP pursuant to a lease agreement. The building is a single-user building and is currently under contract to be sold to a single-user owner/tenant. See "TAX DATA – Principal Taxpayers."
(d) The building is currently vacant and is on the market to be sold or leased. See "TAX DATA – Principal Taxpayers."
(e) The current tenant of the building is Precision Hose pursuant to a lease agreement. The building is a single-user building.

(f) The building is currently vacant and is on the market to be sold or leased. See “TAX DATA – Principal Taxpayers.”
(g) The current tenant of the building is PODS Enterprises, LLC pursuant to a lease agreement. The building is a single-user building and is currently under contract to be sold to a single-user owner/tenant. See “TAX DATA – Principal Taxpayers.”
(h) The current tenant of the building is Scarlet Barbell Club pursuant to a lease agreement. The building is a single-user building.
(i) The current tenant of the building is OnPoint Industrial Services, LLC pursuant to a lease agreement. The building is a single-user building.
(j) The current tenant of the building is Buckeye Development & Logistics I, LLC pursuant to a lease agreement. The building is a single-user building.
(k) The current tenant of the building is Oliver Bay 10, LLC pursuant to a lease agreement. The building is a single-user building.
(l) The current tenant of the building is TC Boiler & Piping pursuant to a lease agreement. The building is a single-user building.
(m) The current tenant of the building is Motion Industries, Inc. pursuant to a lease agreement. The building is a single-user building.
(n) The building is owned and occupied by EquipmentShare.com, Inc. and is a single-user building. See “TAX DATA – Principal Taxpayers.”
(o) The building has been leased to Lawson Cryogenic Manufacturing & Repair. See “TAX DATA – Principal Taxpayers.”
(p) The building has been leased to Resolute Environmental & Response. See “TAX DATA – Principal Taxpayers.”
(q) The building has been leased to Bobcat of Houston. See “TAX DATA – Principal Taxpayers.”
(r) The building has been leased to Architectural Surfaces Group, LLC.

AERIAL PHOTOGRAPH



THE DEVELOPERS

Role of a Developer

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

Investors in the Bonds should note that the prior real estate experience of the Developers and their affiliates should not be construed as an indication that further development within the District will occur, or that construction of additional taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developers or their affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the Developers or their affiliates, if any, is no indication or guarantee that the Developers will be successful in the future development of land within the District.

Description of the Developers

The original developer in the District was Grand Parkway/Kilgore Parkway, LP, a Texas limited partnership, whose general partner is Parkside Capital, LLC, a Texas limited liability company. In 2018, Grand Parkway/Kilgore Parkway, LP sold its land holdings within the District to Bat Hawk Investments Group, LP ("Bat Hawk"), a Texas limited partnership, and assigned its developer financing agreement with the District to Bat Hawk. Bat Hawk is a single purpose entity created solely for the purpose of developing its approximately 260 acres of land holdings located within the District. The general partner of Bat Hawk is Bat Hawk Investments Group GP, LLC, a Texas limited liability company, which is a wholly owned subsidiary of Adkisson Group, Inc. ("Adkisson Group"). Adkisson Group is a privately held industrial real estate development and investment firm based in Houston, Texas focused on delivering comprehensive real estate services for industrial projects to private, institutional, and corporate clients. Adkisson Group has developed, leased, or sold over 10 million square feet of projects since its formation in 2014. The principals of Adkisson Group are Mr. Steve Adkisson and Mr. Arturo Creixell.

In February 2023, the District entered into a developer financing agreement with Kilgore Business LLC ("Kilgore Business"), a Texas limited liability company. Kilgore Business is a single purpose entity created solely for the purpose of developing its approximately 92 acres of land holdings located within the District. Additionally, in February 2023, the District annexed a tract of land totaling approximately 124 acres owned by Texan Hospitality, Inc. ("Texan Hospitality"), a Texas corporation, and entered into a developer financing agreement with Texan Hospitality. Texan Hospitality is a single purpose entity created solely for the purpose of developing its approximately 124 acres of land holdings located within the District. Subsequent to the annexation of such 124-acre tract, Texan Hospitality sold approximately 46 acres of its land holdings to IDV Kilgore, LLC (defined below) in one sale and sold approximately 75 acres of its land holdings to IDV Kilgore, LLC (defined below) in another sale in March, 2024, and retained ownership of the remaining approximately 3 acres located within the District. No specific development plans exist at this time for the 92-acre tract owned by Kilgore Business or the remaining 3-acre tract owned by Texan Hospitality. Kilgore Business and Texan Hospitality are entities that share common ownership. The owners of Kilgore Business and Texan Hospitality are Mr. John Khowaja, Mr. Alex Khowaja, and Mr. Ron Khowaja, who have over 60 years of combined experience in the real estate and development business in six different markets, and whose principal business has been the development of commercial, retail, single-family residential, and multi-family projects.

As described above, subsequent to the annexation of the 124-acre tract, Texan Hospitality sold approximately 121 acres of its land holdings to IDV Kilgore, LLC ("IDV Kilgore"), a Texas limited liability company, and the District entered into a developer financing agreement with IDV Kilgore relative to the development of its approximately 121-acre tract. IDV Kilgore is a single purpose entity created solely for the purpose of developing its approximately 121 acres of land holdings located within the District. IDV Kilgore is an affiliate of, and under common control of, Investment & Development Ventures, LLC ("IDV"). IDV is a privately held real estate investment, development, and management company based in Houston, Texas focused on developing institutional quality industrial projects. IDV has developed, leased, or sold over 34 million square feet of projects totaling in excess of $1 billion in capitalization since its formation in 2013. The IDV team has over 150 years of combined experience in the real estate and development business. IDV currently has active projects in six different markets.

In June 2023, the District entered into a developer financing agreement with P9/Kilgore Grand Parkway PropCo, LP ("P9"), a Delaware limited partnership and single purpose entity created solely for the purpose of developing its approximately 34 acres of land holdings located within the District. The project is a partnership between the Avera Companies, LLC ("Avera") and a large institutional investor. Avera is a privately held real estate development, construction, and investment firm based in Houston, Texas, focused on developing office and industrial projects. Avera has acquired, developed, built, leased, and sold more than 5 million square feet of projects covering over 4,000 acres in transactions totaling in excess of $800 million in capitalization since its formation in 2002. Avera, including its operating companies, has completed projects throughout Texas and in 22 other states around the country. The

leadership of Avera has over 115 years of combined experience in the real estate and development business. Avera's partner in the project is a global real estate investment firm with assets under management approaching $100 billion.

In February 2025, District entered into a developer financing agreement with East Bay Trade Center Owner, LLC ("East Bay"), a Delaware limited liability company and single purpose entity created solely for the purpose of developing its approximately 66 acres of land holdings located within the District. The owner of East Bay is a joint venture between Rockefeller Group, a New-York City-based developer, owner and operator in the real estate industry, and Falcon Commercial Development, a privately-owned industrial development firm based in Houston, Texas. They developed a logistics park in the District, consisting of two industrial buildings totaling 557,339 square feet, which was completed in the fourth quarter of 2025. In December 2025, East Bay sold the two industrial buildings to XLR8 Realty, LLC. The current user and operator of the buildings is Gulf Coast Crating, who originally put the buildings under contract and assigned the purchase and sale agreement to XLR8 Realty, LLC prior to closing.

In October 2026, the District entered into a developer financing agreement with Grand Port Logistics Park, LLC ("Grand Port"), a Delaware limited liability company and single purpose entity created solely for the purpose of developing its approximately 76 acres of land holdings located within the District. Grand Port is an affiliate of, and under common control of, Hillwood Development Company, LLC ("Hillwood"). Hillwood, a Perot Company, is a Dallas-based national real estate development company owned by H. Ross Perot, Jr., with over 30 years of experience developing land in Texas. Hillwood's development expertise and experience encompasses diverse product types, including: sports arenas, high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.

In March 2022, Bat Hawk sold approximately 77 acres of land within the District to Carson Companies, LLC ("Carson Companies"). Carson Companies is an industrial developer in the real estate industry based in Newport Beach, California. They have developed two industrial building in the District, totaling approximately 439,330 in square feet on approximately 27 acres. They have plans to develop a third industrial building, approximately 644,634 square feet on approximately 50 acres, which is currently still in the design phase.

Bat Hawk, Kilgore Business, Texan Hospitality, IDV Kilgore, P9, Grand Port, East Bay and Carson Companies are collectively referred to herein as the "Developers."

Developer Financing

IDV Kilgore has obtained financing for a portion of the development through the Industrial Development Authority of the County of La Paz, Arizona ("IDA"). The IDA issued its $9,912,133 Accelerated Infrastructure Funding Tax-Exempt Revenue Anticipation Capital Appreciation Bonds (Kilgore Project), Series 2025 (the "IDA Bonds"), which are secured in part by the sale and assignment of IDV Kilgore right to receive proceeds from the future sale of unlimited tax bonds issued by the District. According to IDV Kilgore, they are currently in compliance with all material representations and certifications made with respect to the IDA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of future bonds are being used for lawful purposes authorized under Texas law. See "RISK FACTORS — Approval of the Bonds."

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May of even numbered years only. None of the members of the Board reside within the District. However, all of the members of the Board own land within the District, subject to a note and deed of trust in favor of the Developers. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	Title	Term Expires May
Brian Cunningham	President	2028
Elizabeth Gilbert	Vice President	2030
Bronson Clay	Secretary	2028
Hector Martinez	Assistant Secretary	2030
Roland Ramirez	Assistant Secretary	2030

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Tax Appraisal: The Chambers County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. The District contracts with Utility Tax Service, LLC (the "Tax Assessor/Collector") to serve in this capacity.

Utility System Operator: The District has engaged Municipal District Services, LLC (the "Operator") to operate and maintain the District's system.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

Auditor: The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Engineer: The District's consulting engineer is Quiddity Engineering, LLC (the "Engineer").

Financial Advisor: The GMS Group, L.L.C. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

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

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water, wastewater, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The TCEQ exercised continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Chambers County and, in certain instances, the TCEQ. Chambers County, the City, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the Engineer.

Water Supply Facilities

Pursuant to a Water Supply Agreement by and between the City and the District (the "Water Agreement") dated April 30, 2012, which was amended on January 27, 2023, with a term of 25 years, the City agreed to provide the District with water supply services. The District's source of water is surface water and ground water provided by the City's system of interconnected water plants and distributed to the District by way of a 16-inch waterline. The City provides water supply service to the District through one (1) principal point of delivery within the District that distribute water directly into the District's water distribution system. The District is responsible for the operation and maintenance of its water distribution system beyond the points of delivery from the City. The City has reserved 351,406 gallons per day ("gpd"), average daily flow, and no more than 864,435 gpd, average daily flow, at ultimate buildout, of water supply capacity within its water plants to serve the District. According to the Engineer, such reserved capacity within the City's water plants is adequate to serve the ultimate capacity requirements of the District based upon current projected or anticipated land uses. The District has previously collected and provided to the City impact fees to provide capacity adequate to serve 879 equivalent single-family connections ("ESFCs"). The District will make reservation requests for additional water supply capacity and pay impact fees to the City on a per ESFC basis as additional buildings are constructed within the District. Pursuant to the Water Agreement, the City will sell and deliver the District treated water at the rate set by ordinance by the City for contract treated water customers. The District is billed a minimum charge and an additional charge per 1,000 gallons per the City's Water Service Rate Ordinance.

Wastewater Treatment Facilities

The District has entered into an agreement to lease a 200,000 gpd Phase I Wastewater Treatment Plant ("Phase I"). According to the Engineer, Phase I of the Wastewater Treatment Plant is capable of serving 666 ESFCs according to TCEQ criteria. The District has financed the land acquisition costs associated with the Wastewater Treatment Plant with a portion of the proceeds from the Outstanding

Bonds. According to the Engineer, construction of Phase I of the Wastewater Treatment Plant was completed and accepted by the District on September 5, 2024.

Effective October 14, 2020, and as subsequently amended, the District and Chambers County Municipal Utility District No. 3 ("MUD 3") entered into a Joint Facilities and Cost Sharing Agreement (the "Joint Facilities Agreement") relative to the construction and eventual operation of the Wastewater Treatment Plant for the benefit of both the District and MUD 3. The Joint Facilities Agreement requires both parties to provide advance funding for their pro rata shares of the estimated costs of construction of the Wastewater Treatment Plant. The District anticipates additional phases of expansion to the Wastewater Treatment Plant in order to accommodate the capacity requirements of the District and MUD 3 at ultimate buildout.

Storm Drainage and Detention Facilities

The natural course of drainage within the District flows from west to east. Storm water runoff within the District is currently routed through roadside ditches that outfall into detention facilities located within the District. All of the drainage facilities east of the Grand Parkway ultimately outfall into Hackberry Gully. All of the drainage facilities west of the Grand Parkway ultimately outfall into a TXDOT-owned regional drainage ditch. The internal storm drainage collection system is sized to carry the design flows based on commercial land uses and storm drainage requirements of the City and Chambers County, and are designed to accommodate the 100-year sheet flow. The District is responsible for maintenance of its detention basins. Storm Water Quality and Treatment measures are implemented as required by Chambers County.

According to the Engineer, approximately 24.9 acres in the District are located in the 100-year flood plain. The 24.9 acres located in the 100-year flood plain represents land that is being developed as drainage easements or detention facilities, or left undeveloped as open space. None of the buildings in the District or land planned for future development are located in the 100-year flood plain.

District Operations

The Bonds are payable solely from the levy of two, separate annual ad valorem taxes, each without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues from operation of the District, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds in the foreseeable future.

The following table statement sets forth in condensed form the General Operating Fund for the District. The figures are those as shown in the District's audited financial statements for the fiscal years ended December 31, 2020 through December 31, 2025. All such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year End December 31 (a)					
	2025	**2024**	**2023**	**2022**	**2021**	**2020**
Revenues						
Property taxes	$1,488,474	$1,733,030	$1,487,421	$667,721	$653,980	$624,603
Water service	$165,457	$163,339	$82,072	$48,097	$89,607	$85,877
Penalty and interest	$6,104	$7,288	$4,284	$3,661	$3,375	$1,157
Tap connection and inspection fees	$425,642	$37,050	$139,644	$181,797	$75,495	$53,100
Investment income	$192,256	$184,741	$89,047	$13,497	$219	$1,320
Other income	$312	$12,101	$44	$262	$2,836	$6,323
Total Revenues	**$2,278,245**	**$2,137,549**	**$1,802,512**	**$915,035**	**$825,512**	**$772,380**
Expenditures						
Service operations:						
Purchased services	$445,782	$218,356	$115,586	$145,061	$74,078	$72,071
Professional fees	$269,062	$230,068	$242,368	$196,094	$156,370	$121,343
Contracted services	$174,963	$175,770	$143,672	$111,702	$90,571	$90,477
Repairs and maintenance	$317,688	$273,477	$123,046	$185,893	$111,388	$82,705
Other expenditures	$64,342	$62,736	$42,672	$30,981	$28,852	$27,226
Tap connections	$133,258	$10,921	$47,818	$68,380	$44,654	$17,690
Capital Outlay	$239,032	$9,773	$203,264	$-	$-	$-
Debt service, debt issuance costs	$-	$-	$-	$11,823	$33,812	$28,000
Total Expenditures	**$1,644,127**	**$981,101**	**$918,426**	**$749,934**	**$539,725**	**$439,512**
Excess of Revenues Over Expenditures	$634,118	$1,156,448	$884,086	$165,101	$285,787	$332,868
Interfund transfers in		$203,264	$49,335			
Fund Balance, Beginning of Year	**$3,270,174**	**$1,910,462**	**$977,041**	**$811,940**	**$526,153**	**$193,285**
Fund Balance, End of Year (b)	**$3,904,292**	**$3,270,174**	**$1,910,462**	**$977,041**	**$811,940**	**$526,153**

(a) As of October 14, 2026, the District's General Fund had an unaudited cash and temporary investment balance of $5,083,415. For the fiscal year ending December 31, 2026, the District is budgeting General Fund revenues of $6,040,720 and expenditures of $5,596,520.

THE ROADS

The District has financed the acquisition and construction of a portion of the road system (the "Roads") with proceeds of the sale of the District's Series 2023A Road Bonds and will finance additional road projects in the Series 2026A Bonds. The Roads serve the property owners of the District by providing collector roads and portions of major thoroughfares within the District and the surrounding area. Kilgore Parkway serves as a major thoroughfare by conveying travelers to State Highway 99 (Grand Parkway) and State Highway 146, and local streets provide travelers access to Kilgore Parkway and State Highway 99 (Grand Parkway). Upon completion, the Roads are owned, operated and maintained by the District or Chambers County.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Certified Taxable Value	$350,852,228	(a)
Direct Debt:		
The Outstanding Bonds (as of the date of delivery)	$18,045,000	
The Series 2026 Bonds	$14,255,000	
The Series 2026A Road Bonds	$2,530,000	(b)
Total Direct Debt	$34,830,000	
Estimated Overlapping Debt	$13,521,425	(c)
Direct and Estimated Overlapping Debt	$48,351,425	
Percentage of Direct Debt to:		
2026 Certified Taxable Value	9.93%	
Percentage of Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Value	13.78%	
2026 Tax Rate Per $100 of Assessed Value		
Debt Service Tax (Utility Bonds)	$0.45	
Debt Service Tax (Road Bonds)	$0.14	
Maintenance Tax	$0.66	
Total 2026 Tax Rate	$1.25	
Cash and Temporary Investment Balances:		
General Fund as of October 14, 2026	$5,083,415	
Water, Sewer and Drainage Bond Fund as of October 14, 2026	$450,062	(d)
Road Bond Fund as of as of October 14, 2026	$118,576	(e)

(a) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by the Chambers County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Represents the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Estimated Overlapping Debt."

(d) Such funds are reserved for payment of debt service on bonds issued to finance water, wastewater and storm drainage facilities ("Outstanding Utility Bonds"), including the Series 2026 Bonds, and are not available for payment of debt service on bonds issued to finance road facilities ("Outstanding Road Bonds"), such as the Series 2026A Bonds. Although the outstanding Utility Bonds and the Series 2026 Bonds have been and are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Outstanding Utility Bonds and debt service on Outstanding Road Bonds. See "THE BONDS – Funds."

(e) Such funds are reserved for payment of debt service on the Outstanding Road Bonds, including the Series 2026A Road Bonds, and are not available for payment of debt service on the Series 2026 Bonds or Outstanding Utility Bonds. See "THE BONDS – Funds." Although the Series 2026A Bonds are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Outstanding Utility Bonds and Outstanding Road Bonds.

Investments of the District

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 on its portfolio. Funds of the District will be 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 owning long term securities or derivative products in the District's investment portfolio.

Debt Service Requirements

The following table sets forth the debt service requirements on the Outstanding Bonds and the estimated debt service requirements for the Series 2026 Bonds and the Series 2026A Road Bonds.

	Outstanding Debt Service	Plus: Debt Service on the Series 2026 Bonds		Plus: Debt Service on the Series 2026A Road Bonds		Total Debt Service
Year	Requirements	Principal	Interest (a)	Principal	Interest (a)	Requirements (a)
2027	$1,145,306	-	$694,931	-	$119,637	$1,976,006
2028	$1,231,781	-	$833,918	-	$148,005	$2,213,704
2029	$1,225,719	$260,000	$826,313	$45,000	$146,689	$2,503,720
2030	$1,224,344	$275,000	$810,664	$50,000	$143,910	$2,503,918
2031	$1,226,794	$290,000	$794,138	$50,000	$140,985	$2,501,916
2032	$1,232,806	$310,000	$776,588	$55,000	$137,914	$2,512,308
2033	$1,233,628	$325,000	$758,014	$60,000	$134,550	$2,511,192
2034	$1,235,181	$345,000	$738,416	$60,000	$131,040	$2,509,638
2035	$1,241,225	$370,000	$717,502	$65,000	$127,384	$2,521,111
2036	$1,245,931	$390,000	$695,273	$70,000	$123,435	$2,524,639
2037	$1,253,850	$415,000	$671,726	$75,000	$119,194	$2,534,770
2038	$1,259,838	$440,000	$646,718	$80,000	$114,660	$2,541,215
2039	$1,264,128	$465,000	$620,246	$85,000	$109,834	$2,544,208
2040	$1,266,213	$495,000	$592,166	$85,000	$104,861	$2,543,240
2041	$1,270,925	$520,000	$562,478	$95,000	$99,596	$2,547,999
2042	$1,278,069	$555,000	$531,034	$100,000	$93,893	$2,557,995
2043	$1,277,709	$585,000	$497,689	$105,000	$87,896	$2,553,294
2044	$1,285,147	$620,000	$462,443	$110,000	$81,608	$2,559,197
2045	$1,294,894	$660,000	$425,003	$115,000	$75,026	$2,569,923
2046	$1,296,956	$700,000	$385,223	$125,000	$68,006	$2,575,185
2047	$1,306,331	$740,000	$343,103	$130,000	$60,548	$2,579,981
2048	$1,307,881	$785,000	$298,496	$140,000	$52,650	$2,584,028
2049	$1,316,334	$835,000	$251,111	$150,000	$44,168	$2,596,613
2050	$1,316,559	$885,000	$200,801	$155,000	$35,246	$2,592,607
2051	$314,456	$940,000	$147,420	$165,000	$25,886	$1,592,763
2052	$316,159	$995,000	$90,821	$175,000	$15,941	$1,592,922
2053	$317,169	$1,055,000	$30,859	$185,000	$5,411	$1,593,439
TOTALS	**$31,185,334**	**$14,255,000**	**$14,403,090**	**$2,530,000**	**$2,547,972**	**$64,921,397**

(a) Preliminary, subject to change.

Tax Adequacy for Debt Service

The calculations shown below are solely for the purpose of illustration, reflect no net General Fund revenues, no transfers of surplus funds from the District's General Fund to the Bond Fund, and no increase or decrease in assessed valuation over the 2026 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2049) .....$2,596,613 (a)

Requires a $0.79 debt service tax rate on the 2026 Certified Taxable Value of $350,852,228 at 95% collections.....$2,633,146 (a)

(a) Preliminary, subject to change.

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas as of September 2025. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

		Estimated Overlapping	
Taxing Entity	**Outstanding Debt**	**Percent**	**Amount**
Chambers County	$211,325,000	1.67%	$3,536,724
Barbers Hill Independent School District	$541,355,000	1.84%	$9,984,701
Total Estimated Overlapping Debt			**$13,521,425**
The District (a)			$34,830,000
Total Direct & Estimated Overlapping Debt			**$48,351,425**

(a) Preliminary, subject to change. Includes the Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2025 tax year by all overlapping taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Taxing Jurisdictions	**2025 Tax Rate**
Chambers County (a)	$0.447905
Barbers Hill Independent School District (b)	$1.102400
Overlapping Taxes	**$1.550305**
The District (2026 tax rate)	$1.250000
Total Direct & Overlapping Taxes	**$2.800305**

(a) Includes Chambers County ($0.356457), Chambers County Road ($0.059000), Chambers County School Fund ($0.0245780), and Chambers-Liberty Navigation ($0.007870).
(b) Includes Barbers Hill ISD ($0.813000), Barbers Hill ISD I&S ($0.239400) and Lee College – Barbers Hill ($0.050000).

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES" and "RISK FACTORS – Economic Factors and Interest Rates."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on May 14, 2011, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation for general operations and maintenance costs. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Exemptions

For the tax year 2026, the District did not adopt a general residential homestead exemption, a residential homestead exemption for persons 65 years of age or older, or an exemption for individuals who are under a disability for purposes of payment of disability insurance under the Federal Old-Age Survivors and Disability Insurance Act. See "TAXING PROCEDURES – Property Subject to Taxation by the District." The District contains no single-family residential homesteads within its boundaries.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Utility Debt Service	$0.45	$0.32	$0.18	$0.12	$0.00
Road Debt Service	$0.14	$0.18	$0.23	$0.00	$0.00
Maintenance/Operations	$0.66	$0.75	$0.84	$1.13	$1.00
Total	**$1.25**	**$1.25**	**$1.25**	**$1.25**	**$1.00**

Historical Tax Collections

The following table sets forth the historical tax information collection experience of the District 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 (a)	Tax Rate (b)	Total Tax Levy	Total Collections as of September 30 (c) Amount	Percent
2026	$350,852,228	$1.25	$4,385,653	(d)	(d)
2025	$236,933,875	$1.25	$2,961,673	$2,961,673	99.78%
2024	$184,110,471	$1.25	$2,301,381	$2,276,380	99.73%
2023	$154,035,691	$1.25	$1,912,946	$1,912,946	100.00%
2022	$143,986,666	$1.00	$1,439,867	$1,439,867	100.00%

(a) See "Tax Roll Information" herein.

(b) See "Tax Rate Distribution" herein.

(c) Reflects unaudited cumulative tax collection data.

(d) In the process of collections.

Tax Roll Information

The District's taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES – Valuation of Property for Taxation." The following represents the composition of property comprising the 2021 through 2026 taxable valuations.

Tax Roll Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations
2026	$98,246,020	$183,843,137	$98,406,077	$380,495,234	$29,643,006	$350,852,228
2025	$99,567,220	$79,470,203	$83,884,451	$260,930,874	$23,996,999	$236,933,875
2024	$47,353,550	$75,576,382	$70,126,741	$193,056,673	$10,946,202	$182,110,471
2023	$38,440,130	$64,424,047	$57,981,214	$160,845,391	$7,809,700	$153,035,691
2022	$36,143,150	$35,841,460	$79,580,686	$151,565,296	$7,578,630	$143,986,666

Principal Taxpayers

The following table represents the principal taxpayers, the taxable value of such property, and such taxable value as a percentage of the 2026 Taxable Valuation. The table below reflects the ownership of property as of January 1, 2026.

Property Owner	Property Description	Property Value	% of Total
XLR8 Realty LLC	Land & Improvement	$64,774,028	18.46%
IDV Kilgore LLC (a)	Land & Improvement	$48,109,790	13.71%
P9/Kilgore Grand Parkway Propco (a)	Land & Improvement	$35,896,085	10.23%
National Tube Supply Co. (b)	Improvement & Personal Property	$25,757,865	7.34%
Texas Materials Group (b)	Improvement & Personal Property	$18,376,359	5.24%
Turn2 Specialty Companies, LLC (b)	Personal Property	$14,999,856	4.28%
Angel Brothers Properties LLC	Land & Improvement	$10,071,950	2.87%
Effective Intent LLC	Land & Improvement	$8,599,458	2.45%
Cornell LLC	Land & Improvement	$7,773,662	2.22%
Carson Bay 10 LLC	Land & Improvement	$7,511,810	2.14%
	TOTALS	**$241,870,863**	**68.94%** (c)

(a) See "THE DEVELOPERS."

(b) See "RISK FACTORS – Dependence on Personal Property Tax Collections."

(c) The 2026 Top Ten Taxpayers in the District currently account for approximately 68.94% of the District's tax base thereby creating a concentration risk for the District. Adverse developments in economic conditions could adversely impact the businesses that own such properties in the District and the tax values in the District, resulting in less local tax revenue. Economic and market forces, such as a downturn in the economy, or legislative changes impacting funding or property taxation, for example, can also affect assessed values, particularly as these forces might trigger an increase in foreclosures or in delinquent tax payments or in the number of requests submitted to the assessment appeals board for a reduction in assessed value of taxable property in the District.

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least 20% of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled

veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law 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, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2026 tax year, the District has not granted a general residential homestead exemption. The District contains no single-family residential homesteads within its boundaries.

Valuation of Property for Taxation

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

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based upon the new use for 3 years prior to the loss of the designation for agricultural, timberland or open space land**.** According to the District's Tax Assessor/Collector, as of January 1, 2026, approximately 151 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City and Chambers County may designate all or part of the District as a reinvestment zone, and the District, Chambers County, and the City (if it were to annex the area) may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

Rate Distribution" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity basis with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

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

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

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

NOT Qualified Tax-Exempt Obligations

The District will NOT designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates

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

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

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this 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.

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and compiling the information included in the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has also edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants:

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and "TAXING PROCEDURES" has been provided by Utility Tax Service, LLC and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "THE SYSTEM," and "THE ROADS" has been provided by Quiddity Engineering, LLC, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the heading "FINANCIAL INFORMATION CONCERNING THE DISTRICT (except for "Estimated Overlapping Debt"), "TAX DATA" and in "APPENDIX A" (Independent Auditor's Report and Financial Statements and supplemental schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after December 31, 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles

described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MRSB, 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 within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, if material, or agreements 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 security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "financial obligation," when used in this paragraph, shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax and net system revenues) to secure payment of the Bonds, or appointment of a trustee. 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 MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds are the fourth and fifth issuance of bonds by the District. The District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

FORWARD-LOOKING STATEMENTS DISCLAIMER

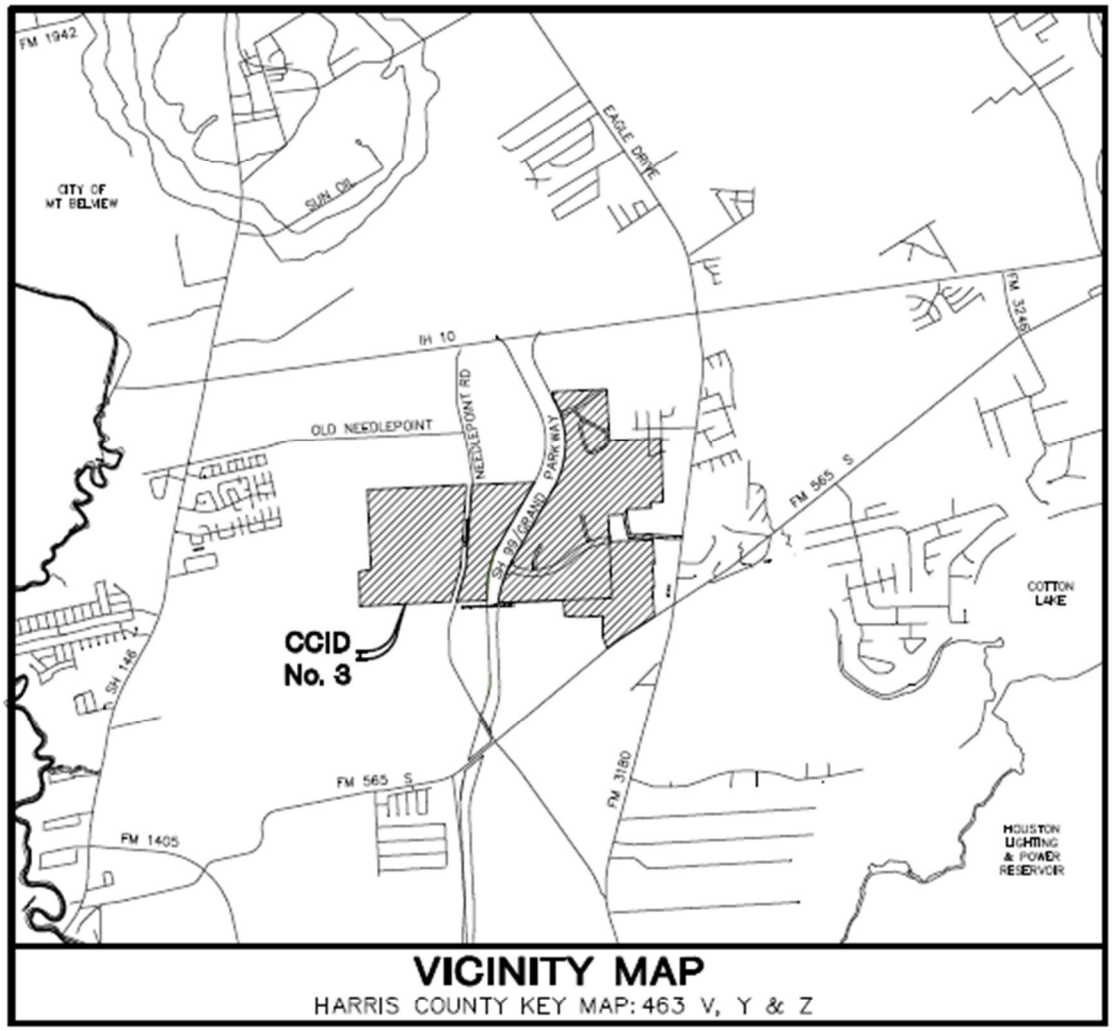
Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "anticipate," "budget" or other similar words. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

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 statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

LOCATION MAP



LOCATION MAP
CHAMBERS COUNTY
CHAMBERS COUNTY IMPROVEMENT DISTRICT No. 3

NOVEMBER 2025

QUIDDITY

Texas Board of Professional Engineers and Land Surveyors Reg. No. F-23290
6363 West Loop South, Suite 150 • Bellaire, TX 77401 • 713.777.5337

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

The information contained in this appendix includes the audited financial statements of Chambers County Improvement District No. 3 and certain supplemental information for the fiscal year ended December 31, 2025.

Chambers County Improvement District No. 3

Chambers County, Texas

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2025

Chambers County Improvement District No. 3
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December 31, 2025

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Forvis Mazars, LLP
2700 Post Oak Boulevard, Suite 1500
Houston, TX 77056
P 713.499.4600 | F 713.499.4699
forvismazars.us

Independent Auditor's Report

Board of Directors
Chambers County Improvement District No. 3
Chambers County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Chambers County Improvement District No. 3 (District), as of and for the year ended December 31, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 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 (GAAS). 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 these 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 12 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 GAAS 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 GAAS, 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 schedules, as listed in the table of contents, 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 GAAS, 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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
May 14, 2026

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period, and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time but do not include capital and lease assets such as land and water, sewer, and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	2025	2024
Current and other assets	$ 14,579,451	$ 13,315,387
Capital and lease assets	22,899,920	14,175,254
Total assets	$ 37,479,371	$ 27,490,641
Long-term liabilities	$ 36,244,737	$ 24,998,679
Other liabilities	2,950,906	3,051,831
Total liabilities	39,195,643	28,050,510
Deferred inflows of resources	2,960,111	2,302,440

Summary of Net Position (Continued)

	2025	2024
Net position		
Net investment in capital assets	$ (3,463,102)	$ (2,741,967)
Restricted	207,318	85,675
Unrestricted	(1,420,599)	(206,017)
Total net position	$ (4,676,383)	$ (2,862,309)

The total net position of the District decreased by $1,814,074, or about 63%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2025	2024
Revenues		
Property taxes	$ 2,229,602	$ 1,926,433
Charges for services	468,586	333,613
Other revenues	890,128	570,641
Total revenues	3,588,316	2,830,687
Expenses		
Services	1,952,093	1,147,655
Conveyance of capital assets	1,844,469	-
Depreciation and amortization	513,606	385,733
Debt service	1,092,222	778,145
Total expenses	5,402,390	2,311,533
Change in net position	(1,814,074)	519,154
Net position, beginning of year	(2,862,309)	(3,381,463)
Net position, end of year	$ (4,676,383)	$ (2,862,309)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2025 were $5,093,456, an increase of $705,573 from the prior year.

The general fund's fund balance increased by $634,118 primarily due to property tax and service revenues, and investment income exceeding service operations and capital outlay expenditures. In addition, tap connection and inspection fees revenues exceeded the related tap connections expenditures.

The wastewater treatment plant fund's fund balance remained the same, as all expenditures were billed to participants.

The debt service fund's fund balance decreased by $37,345 primarily due to principal and interest payments on the District's bonds exceeding property tax revenues, investment income, and proceeds received from the sale of bonds.

The capital projects fund's fund balance increased by $108,800 primarily due proceeds from the sale of the Series 2025 bonds exceeding capital outlay expenditures and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fees revenues, as well as investment income and purchased services, tap connections, and capital outlay expenditures exceeding expectations. The fund balance as of December 31, 2025 was expected to be $4,137,314 and the actual end-of-year fund balance was $3,904,292.

Capital and Lease Assets and Related Debt

Capital and Lease Assets

Capital and lease assets held by the District at the end of the current and previous fiscal years are summarized as follows:

Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)

	2025	2024
Land improvements	$ 10,305,715	$ 6,579,836
Construction in progress	183,895	170,301
Water facilities	3,447,289	996,398
Wastewater facilities	3,825,962	3,475,725
Drainage facilities	3,569,037	1,234,958
Road and paving facilities	479,154	511,098
Lease assets	1,088,868	1,206,938
Total capital and lease assets	$ 22,899,920	$ 14,175,254

During the current year, additions to capital and lease assets were as follows:

Construction in progress related to 0.5 MGD wastewater treatment plant expansion	$ 13,594
Land acquisitions to serve Bay Ten detention expansion, TxDOT channel, and IDV Baytown Phase 1 detention	3,725,879
Water and drainage facilities to serve Bay Ten Lane and Howard Lane	55,298
12" water line extension	97,137
Water, sewer, and drainage facilities to serve IDV Baytown Phase 1	5,259,185
Sanitary sewer trunkline in Bay Ten Business Park	87,179
Total additions to capital and lease assets	$ 9,238,272

The developer within the District has constructed water, sewer, drainage, road, and paving facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of December 31, 2025, a liability for developer-constructed capital assets of $17,298,671 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2025 are summarized as follows:

Long-term debt payable, beginning of year	$ 24,998,679
Increases in long-term debt	13,973,133
Decreases in long-term debt	(2,727,075)
Long-term debt payable, end of year	$ 36,244,737

At December 31, 2025, the District had $63,880,000 of bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District and $65,825,000 of bonds authorized, but unissued, for the purposes of acquiring, constructing and improving road and paving facilities within the District.

The District's bonds do not carry an underlying rating. The Road Series 2023A and Series 2025 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Inc.

Other Relevant Factors

Relationship to the City of Baytown

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Baytown (City), the District must conform to the City Ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent subject to certain restrictions. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness).

Contingencies

The developer of the District is constructing water, sewer, drainage, and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately $6,005,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Chambers County Improvement District No. 3
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2025

	General Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	$ 107,128	$ 2,184	$ 500,336	$ 490	$ 610,138	$ -	$ 610,138
Certificates of deposit	1,175,000	-	-	-	1,175,000	-	1,175,000
Short-term investments	3,016,095	5,743,338	453,841	838,367	10,051,641	-	10,051,641
Receivables							
Property taxes	1,462,173	-	974,026	-	2,436,199	-	2,436,199
Service accounts	58,396	-	-	-	58,396	-	58,396
Accrued interest	19,728	-	-	-	19,728	-	19,728
Interfund receivables	382,612	-	-	-	382,612	(382,612)	-
Due from participants	-	537,593	-	-	537,593	(309,492)	228,101
Due from others	248	-	-	-	248	-	248
Prepaid expenditures	-	24,266	-	-	24,266	(24,266)	-
Capital and lease assets (net of accumulated depreciation and amortization)							
Land and improvements	-	-	-	-	-	10,305,715	10,305,715
Construction in progress	-	-	-	-	-	183,895	183,895
Infrastructure	-	-	-	-	-	10,842,288	10,842,288
Roads and paving	-	-	-	-	-	479,154	479,154
Lease assets	-	-	-	-	-	1,088,868	1,088,868
Total Assets	$ 6,221,380	$ 6,307,381	$ 1,928,203	$ 838,857	$ 15,295,821	$ 22,183,550	$ 37,479,371

Chambers County Improvement District No. 3
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2025

(Continued)

	General Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	$ 473,556	$ 12,676	$ 2	$ 16,673	$ 502,907	$ (309,492)	$ 193,415
Accrued interest payable	-	-	-	-	-	177,015	177,015
Customer deposits	53,500	-	-	-	53,500	-	53,500
Due to others	9,730	-	-	-	9,730	-	9,730
Due to other district	-	6,287,202	-	-	6,287,202	(3,769,956)	2,517,246
Interfund payables	-	7,503	319,428	55,681	382,612	(382,612)	-
Long-term liabilities							
Due within one year	-	-	-	-	-	362,338	362,338
Due after one year	-	-	-	-	-	35,882,399	35,882,399
Total Liabilities	536,786	6,307,381	319,430	72,354	7,235,951	31,959,692	39,195,643
Deferred Inflows of Resources							
Deferred property tax revenues	1,780,302	-	1,186,112	-	2,966,414	(6,303)	2,960,111
Fund Balances/Net Position							
Fund balances							
Restricted							
Unlimited tax bonds	-	-	318,952	-	318,952	(318,952)	-
Unlimited tax road bonds	-	-	103,709	-	103,709	(103,709)	-
Water, sewer and drainage	-	-	-	583,508	583,508	(583,508)	-
Roads	-	-	-	182,995	182,995	(182,995)	-
Unassigned	3,904,292	-	-	-	3,904,292	(3,904,292)	-
Total fund balances	3,904,292	-	422,661	766,503	5,093,456	(5,093,456)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,221,380	$ 6,307,381	$ 1,928,203	$ 838,857	$ 15,295,821		
Net position							
Net investment in capital assets						(3,463,102)	(3,463,102)
Restricted for debt service						140,070	140,070
Restricted for capital projects						67,248	67,248
Unrestricted						(1,420,599)	(1,420,599)
Total net position						$ (4,676,383)	$ (4,676,383)

Chambers County Improvement District No. 3
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	General Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	$ 1,488,474	$ -	$ 744,190	$ -	$ 2,232,664	$ (3,062)	$ 2,229,602
Water service	165,457	-	-	-	165,457	-	165,457
Sewer service	-	777,994	-	-	777,994	(474,865)	303,129
Penalty and interest	6,104	-	43,501	-	49,605	-	49,605
Tap connection and inspection fees	425,642	-	-	-	425,642	-	425,642
Investment income	192,256	3	26,635	29,182	248,076	152,991	401,067
Other income	312	-	13,502	-	13,814	-	13,814
Total Revenues	2,278,245	777,997	827,828	29,182	3,913,252	(324,936)	3,588,316
Expenditures/Expenses							
Service operations							
Purchased services	445,782	-	-	-	445,782	(309,492)	136,290
Professional fees	269,062	4,170	11,711	-	284,943	37,064	322,007
Contracted services	174,963	52,123	25,654	-	252,740	914	253,654
Utilities	-	40,288	-	-	40,288	-	40,288
Repairs and maintenance	317,688	439,455	-	-	757,143	239,032	996,175
Other expenditures	64,342	1,561	4,434	84	70,421	-	70,421
Tap connections	133,258	-	-	-	133,258	-	133,258
Capital outlay	239,032	55,600	-	3,980,866	4,275,498	(4,275,498)	-
Conveyance of capital assets	-	-	-	-	-	1,844,469	1,844,469
Depreciation and amortization	-	-	-	-	-	513,606	513,606
Debt service							
Principal retirement	-	-	250,000	-	250,000	(250,000)	-
Interest and fees	-	-	681,018	-	681,018	102,603	783,621
Lease payments	-	184,800	-	-	184,800	(184,800)	-
Debt issuance costs	-	-	-	308,601	308,601	-	308,601
Total Expenditures/Expenses	1,644,127	777,997	972,817	4,289,551	7,684,492	(2,282,102)	5,402,390
Excess (Deficiency) of Revenues Over Expenditures	634,118	-	(144,989)	(4,260,369)	(3,771,240)	1,957,166	

Chambers County Improvement District No. 3
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025 **(Continued)**

	General Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)							
General obligation bonds issued	$ -	$ -	$ 107,644	$ 4,507,356	$ 4,615,000	$ (4,615,000)	
Discount on debt issued	-	-	-	(138,187)	(138,187)	138,187	
Total Other Financing Sources	-	-	107,644	4,369,169	4,476,813	(4,476,813)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	634,118	-	(37,345)	108,800	705,573	(705,573)	
Change in Net Position						(1,814,074)	$ (1,814,074)
Fund Balances/Net Position							
Beginning of year	3,270,174	-	460,006	657,703	4,387,883	-	(2,862,309)
End of year	$ 3,904,292	$ -	$ 422,661	$ 766,503	$ 5,093,456	$ -	$ (4,676,383)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Chambers County Improvement District No. 3 (District) was created by Senate Bill Number 2512 (Bill) of the 81st Legislature of the State of Texas, effective June 19, 2009, in accordance with the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (Commission). The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Wastewater Treatment Plant Fund – Accounts for revenues and expenditures involving specific revenues sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is sewer service revenues.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in

fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2024 on the 2024 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2025, the tax levied in October 2025 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2026. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years
Road and paving facilities	20–45 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows or resources since the costs are not applicable to future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recognized as a liability or asset, respectively, and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital and lease assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	$ 22,899,920
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	6,303
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the fund financial statements.	(177,015)
Amounts due to others are not due and payable in the current period and are not reported in the fund financial statements.	3,769,956
Prepaid lease expenditures are not reported as assets in the government-wide financial statements.	(24,266)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	(36,244,737)
Adjustment to fund balances to arrive at net position.	$ (9,769,839)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because of the following items:

Change in fund balances.	$ 705,573
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay expenditures exceeded depreciation and amortization expense and noncapitalized costs expenditures in the current period.	1,475,040

Governmental funds report lease payments as expenditures. For the statement of activities, these are reported as a reduction of lease liability and interest expense.	$	184,800
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		138,187
Governmental funds report proceeds from the sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(4,365,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.		149,929
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(102,603)
Change in net position of governmental activities.	$	(1,814,074)

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than "A," certificates of deposit of financial institutions domiciled in Texas, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At December 31, 2025, the District had the following investments and maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1–5	6–10	More Than 10
Texas CLASS	$ 10,051,641	$ 10,051,641	$ -	$ -	$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at December 31, 2025 as follows:

Carrying value	
Deposits	$ 1,785,138
Investments	10,051,641
Total	$ 11,836,779

Included in the following statement of net position captions:

Cash	$ 610,138
Certificates of deposit	1,175,000
Short-term investments	10,051,641
Total	$ 11,836,779

Investment Income

Investment income of $401,067 for the year ended December 31, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements at December 31, 2025:

- Pooled investments of $10,051,641 are valued at the fair value per share of the pool's underlying portfolio.

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended December 31, 2025 is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	$ 6,579,836	$ 3,725,879	$ 10,305,715
Construction in progress	170,301	13,594	183,895
Total capital assets, non-depreciable	6,750,137	3,739,473	10,489,610
Capital and lease assets, depreciable and amortizable			
Water production and distribution facilities	1,294,377	2,536,328	3,830,705
Wastewater collection and treatment facilities	3,592,958	462,036	4,054,994
Drainage facilities	1,572,899	2,500,435	4,073,334
Road and paving facilities	622,061	-	622,061
Lease assets – equipment	1,416,840	-	1,416,840
Total capital and lease assets, depreciable and amortizable	8,499,135	5,498,799	13,997,934
Less accumulated depreciation and amortization			
Water production and distribution facilities	(297,979)	(85,437)	(383,416)
Wastewater collection and treatment facilities	(117,233)	(111,799)	(229,032)
Drainage facilities	(337,941)	(166,356)	(504,297)
Road and paving facilities	(110,963)	(31,944)	(142,907)
Lease assets – equipment	(209,902)	(118,070)	(327,972)
Total accumulated depreciation and amortization	(1,074,018)	(513,606)	(1,587,624)
Total governmental activities, net	$ 14,175,254	$ 8,724,666	$ 22,899,920

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2025 were as follows.

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	$ 13,940,000	$ 4,615,000	$ 250,000	$ 18,305,000	$ 260,000
Less discounts on bonds	395,537	138,187	7,563	526,161	-
	13,544,463	4,476,813	242,437	17,778,839	260,000
Due to developer – construction	10,191,844	9,496,320	2,389,493	17,298,671	-
Lease liability	1,262,372	-	95,145	1,167,227	102,338
Total governmental activities long-term liabilities	$ 24,998,679	$ 13,973,133	$ 2,727,075	$ 36,244,737	$ 362,338

General Obligation Bonds

	Series 2023	Road Series 2023A
Amounts outstanding, December 31, 2025	$7,850,000	$5,840,000
Interest rates	4.00% to 5.00%	5.00% to 8.00%
Maturity dates, serially beginning/ending	April 1, 2026/2050	April 1, 2026/2050
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2028	April 1, 2028

	Series 2025
Amount outstanding, December 31, 2025	$4,615,000
Interest rates	4.00% to 6.50%
Maturity dates, serially beginning/ending	April 1, 2028/2053
Interest payment dates	April 1/October 1
Callable date*	April 1, 2031

*Or any date thereafter; callable at par plus accrued interest to the date of redemption

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2025.

Year	Principal	Interest	Total
2026	$ 260,000	$ 835,655	$ 1,095,655
2027	280,000	865,306	1,145,306
2028	385,000	846,781	1,231,781
2029	400,000	825,718	1,225,718
2030	420,000	804,344	1,224,344
2031–2035	2,500,000	3,669,634	6,169,634
2036–2040	3,275,000	3,014,960	6,289,960
2041–2045	4,280,000	2,126,744	6,406,744
2046–2050	5,620,000	924,062	6,544,062
2051–2053	885,000	62,785	947,785
Total	$ 18,305,000	$ 13,975,989	$ 32,280,989

Bonds voted	
Water, sewer, and drainage facilities	$ 76,495,000
Road and paving facilities	71,765,000
Water, sewer, and drainage facilities refunding	76,495,000
Road and paving facilities refunding	71,765,000
Bonds sold	
Water, sewer, and drainage facilities	12,615,000
Road and paving facilities	5,940,000

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at December 31, 2025:

Year	Principal	Interest	Total
2026	$ 102,338	$ 82,462	$ 184,800
2027	110,075	74,725	184,800
2028	114,360	66,440	180,800
2029	114,632	58,168	172,800
2030	123,298	49,502	172,800
2031–2032	602,524	61,282	663,806
Total	$ 1,167,227	$ 392,579	$ 1,559,806

Due to Developer – Construction

The developer within the District has constructed water, sewer, drainage, and road and paving facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest, to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $17,298,671. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Order and Commission Requirements

(A) The Bond Orders require that the District levy and collect an ad valorem utility debt service tax sufficient to pay interest and principal on utility bonds when due. During the year ended December 31, 2025, the District levied an ad valorem utility debt service tax at the rate of $0.3200 per $100 of assessed valuation, which resulted in a tax levy of $757,788 on the taxable valuation of $236,808,875 for the 2025 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are $688,355.

(B) The Road Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended December 31, 2025, the District levied an ad valorem road debt service tax at the rate of $0.1800 per $100 of assessed valuation, which resulted in a tax levy of $426,256 on the taxable valuation of $236,808,875 for the 2025 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are $407,300.

(C) In accordance with the Series 2023, Road Series 2023A, and Series 2025 Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	$ 241,750
Additions – Interest appropriated from bond proceeds, Series 2025	107,644
Deductions – Appropriation from bond interest paid	
Series 2023	173,609
Road Series 2023A	68,141
	241,750
Bond interest reserve, end of year	$ 107,644

Note 6. Maintenance Taxes

At an election held May 14, 2011, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended December 31, 2025, the District levied an ad valorem maintenance tax at the rate of $0.7500 per $100 of assessed valuation, which resulted in a tax levy of $1,776,067 on the taxable valuation of $236,808,875 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Contract Taxes

At an election held November 6, 2012, voters authorized a contract tax on all property within the District subject to taxation. The contract tax can be used by the general fund to pay expenditures for emergency protection within the District. The District did not levy an ad valorem contract tax for the 2025 tax year.

Note 8. Contracts With the City of Baytown

Development Agreement

On April 13, 2012, and as subsequently amended, the District and the City of Baytown (City) entered into a Development Agreement for the development of property within the boundaries of the District, allowing land owners to utilize septic systems in lieu of the District constructing wastewater treatment facilities. The District is responsible for constructing public improvements necessary for the development of the property including, but not limited to, water and drainage facilities, roads, landscaping, streetscaping, parks, and recreational facilities.

Water Supply Agreement

As of April 30, 2012, and as subsequently amended, the District entered into a Water Supply Agreement (Water Agreement) with the City for a term of 25 years. Pursuant to the terms of the Water Agreement, the City will sell and deliver the District treated water at the rate set by ordinance by the City for contract treated water customers. The District is billed a minimum charge and an additional charge per 1,000 gallons per the City's Water Service Rate Ordinance. The District recorded $136,290 of expenditures for the year ended December 31, 2025.

Emergency Protection Services Agreement

As of November 15, 2012, as subsequently amended and extended, the District entered into an Emergency Protection Services Agreement (Emergency Services Agreement) with the City for an original term of six years. Pursuant to the terms of the Emergency Services Agreement, the City will provide firefighting support and backup protection within the District's boundaries. The District is billed quarterly based upon the assessed value of the District. The District recorded $100,000 of expenditures for the year ended December 31, 2025.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors, and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Note 10. Strategic Partnership Agreement

Effective April 13, 2012, the District and the City entered into a Strategic Partnership Agreement (Agreement) under which the City annexed all of the land within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions as provided by law. The District agrees to continue to provide and develop water, sewer, and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement. The initial term of the Agreement ended March 3, 2025, and was automatically extended for an additional five-year term. The Agreement is subject to termination by either party with notice.

Note 11. Lease Agreement

During the year ended December 31, 2021, the District entered into an agreement to lease a 200,000 gallons-per-day wastewater treatment plant. The lease requires monthly payments of $15,400 for the initial term of 60 months, upon substantial completion of the construction of the plant (which occurred during the year ended December 31, 2023). Upon expiration of the initial term, the lease may be extended on a month-to-month basis with monthly payments of $14,400. In addition, the District has the option to purchase the

leased equipment at any time during the term of the lease for an agreed-upon fair value as provided for in the agreement. Lease expenditures for the current fiscal year were $184,800.

Note 12. Joint Facilities and Cost Sharing Agreement

Effective October 14, 2020, and as subsequently amended, the District and Chambers County Municipal Utility District No. 3 (District No. 3) entered into a Joint Facilities and Cost Sharing Agreement relative to the construction and eventual operation of a wastewater treatment plant for the benefit of both parties. The Agreement requires both parties to provide advance funding for their pro rata shares of the estimated construction of the plant in several phases. District No. 3 advanced $4,170,614 to the District and construction of the plant has begun. As of December 31, 2025, the District has recorded a payable to District No. 3 for the unused funds in the amount of $2,517,246.

For the year ended December 31, 2025, the District's and District No. 3's share of construction and operating expenditures was $452,290 and $325,704, respectively.

Note 13. Concentrations

As of December 31, 2025, for the January 1, 2025, assessed property tax valuation, two taxpayers own approximately 26% of the District's assessed value.

Note 14. Contingencies

The developer of the District is constructing water, sewer, drainage, and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately $6,005,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Chambers County Improvement District No. 3
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,507,400	$ 1,488,474	$ (18,926)
Water service	170,500	165,457	(5,043)
Sewer service	38,800	-	(38,800)
Penalty and interest	7,700	6,104	(1,596)
Tap connection and inspection fees	5,040	425,642	420,602
Investment income	148,500	192,256	43,756
Other income	-	312	312
Total Revenues	1,877,940	2,278,245	400,305
Expenditures			
Service operations			
Purchased services	215,000	445,782	(230,782)
Professional fees	245,000	269,062	(24,062)
Contracted services	179,000	174,963	4,037
Repairs and maintenance	288,400	317,688	(29,288)
Other expenditures	70,100	64,342	5,758
Tap connections	3,300	133,258	(129,958)
Capital outlay	10,000	239,032	(229,032)
Total Expenditures	1,010,800	1,644,127	(633,327)
Excess of Revenues Over Expenditures	867,140	634,118	(233,022)
Fund Balance, Beginning of Year	3,270,174	3,270,174	-
Fund Balance, End of Year	$ 4,137,314	$ 3,904,292	$ (233,022)

Chambers County Improvement District No. 3
Budgetary Comparison Schedule – Wastewater Treatment Plant Fund
Year Ended December 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	$ 5,815,770	$ 777,994	$ (5,037,776)
Investment income	326,300	3	(326,297)
Total Revenues	6,142,070	777,997	(5,364,073)
Expenditures			
Service operations			
Professional fees	52,800	4,170	48,630
Contracted services	43,000	52,123	(9,123)
Utilities	2,100	40,288	(38,188)
Repairs and maintenance	110,200	439,455	(329,255)
Other expenditures	5,870	1,561	4,309
Capital outlay	5,743,300	55,600	5,687,700
Debt service, lease payments	184,800	184,800	-
Total Expenditures	6,142,070	777,997	5,364,073
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and the wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budgets prior to the start of its fiscal year. The budgets are not spending limitations (a legally restricted appropriation). The original budgets of the general fund and wastewater treatment plant fund were not amended during 2025.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund and Wastewater Treatment Plant Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Chambers County Improvement District No. 3
Other Schedules Included Within This Report
December 31, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See “Notes to Financial Statements,” Pages 12–24

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedules of Long-Term Debt Service Requirements by Years

[X] Changes in Long-Term Bonded Debt

[X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund

[X] Board Members, Key Personnel, and Consultants

Chambers County Improvement District No. 3
Schedule of Services and Rates
Year Ended December 31, 2025

1. Services provided by the District

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

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
___ Other _____

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 Levels		
Water:	$ 18.40	-	N	$ 12.17	1,000	to	No Limit
Wastewater:	$ 20.78	-	N	$ 12.62	1,000	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 140.10 Wastewater $ 146.98

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	2	2	x1.0	2
1"	12	12	x2.5	30
1 1/2"	16	14	x5.0	70
2"	14	14	x8.0	112
3"	1	1	x15.0	15
4"	2	2	x25.0	50
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	47	45		279
Total wastewater	-	-	x1.0	-

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	11,250
Gallons billed to customers:	11,250
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Chambers County Improvement District No. 3
Schedule of General Fund Expenditures
Year Ended December 31, 2025

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 18,900	
Legal	199,392	
Engineering	48,770	
Financial advisor	2,000	269,062
Purchased Services for Resale		
Bulk water and wastewater service purchases		445,782
Regional Water Fee		-
Contracted Services		
Bookkeeping	57,298	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	117,665	174,963
Utilities		-
Repairs and Maintenance		317,688
Administrative Expenditures		
Directors' fees	15,028	
Office supplies	5,043	
Insurance	19,204	
Other administrative expenditures	25,067	64,342
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	239,032	239,032
Tap Connection Expenditures		133,258
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total Expenditures		$ 1,644,127

Chambers County Improvement District No. 3
Schedule of Temporary Investments
December 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 608165	4.18%	7/21/2026	$ 235,000	$ 4,387
No. 2000000591	4.18%	2/14/2026	235,000	3,633
No. 109600	4.41%	2/15/2026	235,000	3,805
No. 6000072022	4.15%	8/23/2026	235,000	3,473
No. 6550145821	4.30%	4/24/2026	235,000	4,430
Texas CLASS	3.93%	Demand	3,016,095	-
			4,191,095	19,728
Wastewater Treatment Plant Fund				
Texas CLASS	3.93%	Demand	5,743,338	-
Debt Service Fund				
Texas CLASS	3.93%	Demand	103,709	-
Texas CLASS	3.93%	Demand	350,132	-
			453,841	-
Capital Projects Fund				
Texas CLASS	3.93%	Demand	486,421	-
Texas CLASS	3.93%	Demand	182,995	-
Texas CLASS	3.93%	Demand	168,951	-
			838,367	-
Totals			$ 11,226,641	$ 19,728

Chambers County Improvement District No. 3
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2025

		Maintenance Taxes	Road Debt Service Taxes	Utility Debt Service Taxes
Receivable, Beginning of Year		$ 1,439,641	$ 391,869	$ 307,579
Additions and corrections to prior years' taxes		(62,997)	(4,794)	(5,047)
Adjusted Receivable, Beginning of Year		1,376,644	387,075	302,532
2025 Original Tax Levy		1,780,672	427,361	759,753
Additions and corrections		(4,605)	(1,105)	(1,965)
Adjusted tax levy		1,776,067	426,256	757,788
Total to Be Accounted For		3,152,711	813,331	1,060,320
Tax collections:	Current year	(318,129)	(76,351)	(135,735)
	Prior years	(1,372,409)	(385,915)	(301,624)
Receivable, End of Year		$ 1,462,173	$ 351,065	$ 622,961
Receivable, by Years				
2025		$ 1,457,938	$ 349,905	$ 622,053
2024		4,235	1,160	908
Receivable, End of Year		$ 1,462,173	$ 351,065	$ 622,961

Chambers County Improvement District No. 3
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2025 (Continued)

	2025	2024	2023	2022
Property Valuations				
Land	$ 99,517,020	$ 46,471,130	$ 38,402,950	$ 36,115,970
Improvements	95,916,833	79,020,822	65,503,067	39,385,560
Personal property	83,759,451	69,649,421	58,018,704	79,607,866
Exemptions	(42,384,429)	(10,946,202)	(7,783,150)	(7,578,630)
Total Property Valuations	$ 236,808,875	$ 184,195,171	$ 154,141,571	$ 147,530,766
Tax Rates per $100 Valuation				
Utility debt service tax rates	$ 0.3200	$ 0.1800	$ 0.1200	$ -
Road debt service tax rates	0.1800	0.2300	-	-
Maintenance tax rates*	0.7500	0.8400	1.1300	1.0000
Total Tax Rates per $100 Valuation	$ 1.2500	$ 1.2500	$ 1.2500	$ 1.0000
Tax Levy	$ 2,960,111	$ 2,302,440	$ 1,926,770	$ 1,475,307
Percent of Taxes Collected to Taxes Levied**	18%	99%	100%	100%

*Maximum tax rate approved by voters: $1.50 on May 14, 2011

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

Chambers County Improvement District No. 3
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025

Due During Fiscal Years Ending December 31	Series 2023 Principal Due April 1,	Series 2023 Interest Due April 1, October 1	Total
2026	$ 155,000	$ 362,919	$ 517,919
2027	165,000	356,519	521,519
2028	175,000	349,718	524,718
2029	180,000	342,618	522,618
2030	190,000	335,219	525,219
2031	200,000	327,419	527,419
2032	215,000	319,119	534,119
2033	225,000	310,178	535,178
2034	235,000	300,544	535,544
2035	250,000	290,237	540,237
2036	265,000	279,294	544,294
2037	280,000	267,362	547,362
2038	295,000	254,425	549,425
2039	310,000	240,813	550,813
2040	325,000	226,119	551,119
2041	340,000	210,325	550,325
2042	360,000	193,250	553,250
2043	380,000	174,750	554,750
2044	400,000	155,250	555,250
2045	425,000	134,625	559,625
2046	445,000	112,875	557,875
2047	470,000	90,000	560,000
2048	495,000	65,875	560,875
2049	520,000	40,500	560,500
2050	550,000	13,750	563,750
Totals	$ 7,850,000	$ 5,753,703	$ 13,603,703

Chambers County Improvement District No. 3
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025 **(Continued)**

Due During Fiscal Years Ending December 31	Road Series 2023A		
	Principal Due April 1,	Interest Due April 1, October 1	Total
2026	$ 105,000	$ 302,300	$ 407,300
2027	115,000	293,500	408,500
2028	120,000	284,700	404,700
2029	125,000	276,750	401,750
2030	135,000	268,950	403,950
2031	140,000	260,700	400,700
2032	150,000	252,000	402,000
2033	160,000	243,500	403,500
2034	170,000	235,250	405,250
2035	180,000	226,500	406,500
2036	190,000	217,250	407,250
2037	200,000	207,500	407,500
2038	215,000	197,125	412,125
2039	225,000	186,125	411,125
2040	240,000	174,500	414,500
2041	255,000	162,125	417,125
2042	270,000	149,000	419,000
2043	285,000	135,125	420,125
2044	305,000	120,375	425,375
2045	325,000	104,625	429,625
2046	340,000	88,000	428,000
2047	365,000	70,375	435,375
2048	385,000	51,625	436,625
2049	410,000	31,750	441,750
2050	430,000	10,750	440,750
Totals	$ 5,840,000	$ 4,550,400	$ 10,390,400

Chambers County Improvement District No. 3
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025 **(Continued)**

Due During Fiscal Years Ending December 31	Series 2025 Principal Due April 1,	Series 2025 Interest Due April 1, October 1	Total
2026	$ -	$ 170,436	$ 170,436
2027	-	215,287	215,287
2028	90,000	212,363	302,363
2029	95,000	206,350	301,350
2030	95,000	200,175	295,175
2031	105,000	193,675	298,675
2032	110,000	186,687	296,687
2033	115,000	179,950	294,950
2034	120,000	174,388	294,388
2035	125,000	169,487	294,487
2036	130,000	164,388	294,388
2037	140,000	158,987	298,987
2038	145,000	153,288	298,288
2039	155,000	147,190	302,190
2040	160,000	140,594	300,594
2041	170,000	133,475	303,475
2042	180,000	125,819	305,819
2043	185,000	117,834	302,834
2044	195,000	109,522	304,522
2045	205,000	100,644	305,644
2046	220,000	91,081	311,081
2047	230,000	80,956	310,956
2048	240,000	70,381	310,381
2049	255,000	59,085	314,085
2050	265,000	47,059	312,059
2051	280,000	34,456	314,456
2052	295,000	21,160	316,160
2053	310,000	7,169	317,169
Totals	$ 4,615,000	$ 3,671,886	$ 8,286,886

Chambers County Improvement District No. 3
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025 **(Continued)**

Due During Fiscal Years Ending December 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 260,000	$ 835,655	$ 1,095,655
2027	280,000	865,306	1,145,306
2028	385,000	846,781	1,231,781
2029	400,000	825,718	1,225,718
2030	420,000	804,344	1,224,344
2031	445,000	781,794	1,226,794
2032	475,000	757,806	1,232,806
2033	500,000	733,628	1,233,628
2034	525,000	710,182	1,235,182
2035	555,000	686,224	1,241,224
2036	585,000	660,932	1,245,932
2037	620,000	633,849	1,253,849
2038	655,000	604,838	1,259,838
2039	690,000	574,128	1,264,128
2040	725,000	541,213	1,266,213
2041	765,000	505,925	1,270,925
2042	810,000	468,069	1,278,069
2043	850,000	427,709	1,277,709
2044	900,000	385,147	1,285,147
2045	955,000	339,894	1,294,894
2046	1,005,000	291,956	1,296,956
2047	1,065,000	241,331	1,306,331
2048	1,120,000	187,881	1,307,881
2049	1,185,000	131,335	1,316,335
2050	1,245,000	71,559	1,316,559
2051	280,000	34,456	314,456
2052	295,000	21,160	316,160
2053	310,000	7,169	317,169
Totals	$ 18,305,000	$ 13,975,989	$ 32,280,989

Chambers County Improvement District No. 3
Changes in Long-Term Bonded Debt
Year Ended December 31, 2025

	Bond Issues			
	Series 2023	Road Series 2023A	Series 2025	Totals
Interest rates	4.00% to 5.00%	5.00% to 8.00%	4.00% to 6.50%	
Dates interest payable	April 1/October 1	April 1/October 1	April 1/October 1	
Maturity dates	April 1, 2026/2050	April 1, 2026/2050	April 1, 2028/2053	
Bonds outstanding, beginning of current year	$ 8,000,000	$ 5,940,000	$ -	$ 13,940,000
Bonds sold during the current year	-	-	4,615,000	4,615,000
Retirements, principal	150,000	100,000	-	250,000
Bonds outstanding, end of current year	7,850,000	5,840,000	4,615,000	18,305,000
Interest paid during the current year	$ 369,018	$ 310,500	$ -	$ 679,518

Paying agent's name and address:

Series 2023 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2023A – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2025 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority:	Tax Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 76,495,000	$ 71,765,000	$ 148,260,000
Amount issued	$ 12,615,000	$ 5,940,000	$ -
Remaining to be issued	$ 63,880,000	$ 65,825,000	$ 148,260,000

Debt service fund cash and temporary investment balances as of December 31, 2025:	$ 954,177
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,152,892

Chambers County Improvement District No. 3
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	$ 1,488,474	$ 1,733,030	$ 1,487,421	$ 667,721	$ 653,980
Water service	165,457	163,339	82,072	48,097	89,607
Penalty and interest	6,104	7,288	4,284	3,661	3,375
Tap connection and inspection fees	425,642	37,050	139,644	181,797	75,495
Investment income	192,256	184,741	89,047	13,497	219
Other income	312	12,101	44	262	2,836
Total Revenues	2,278,245	2,137,549	1,802,512	915,035	825,512
Expenditures					
Service operations					
Purchased services	445,782	218,356	115,586	145,061	74,078
Professional fees	269,062	230,068	242,368	196,094	156,370
Contracted services	174,963	175,770	143,672	111,702	90,571
Repairs and maintenance	317,688	273,477	123,046	185,893	111,388
Other expenditures	64,342	62,736	42,672	30,981	28,852
Tap connections	133,258	10,921	47,818	68,380	44,654
Capital outlay	239,032	9,773	203,264	-	-
Debt service, debt issuance costs	-	-	-	11,823	33,812
Total Expenditures	1,644,127	981,101	918,426	749,934	539,725
Excess of Revenues Over Expenditures	634,118	1,156,448	884,086	165,101	285,787
Other Financing Sources					
Interfund transfers in	-	203,264	49,335	-	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	634,118	1,359,712	933,421	165,101	285,787
Fund Balance, Beginning of Year	3,270,174	1,910,462	977,041	811,940	526,153
Fund Balance, End of Year	$ 3,904,292	$ 3,270,174	$ 1,910,462	$ 977,041	$ 811,940
Total Active Retail Water Connections	45	37	41	37	23
Total Active Retail Wastewater Connections	-	-	1	1	1

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
65.3 %	81.1 %	82.5 %	73.0 %	79.2 %
7.3	7.6	4.6	5.2	10.9
0.3	0.3	0.2	0.4	0.4
18.7	1.7	7.8	19.9	9.2
8.4	8.7	4.9	1.5	0.0
0.0	0.6	0.0	0.0	0.3
100.0	100.0	100.0	100.0	100.0
19.6	10.2	6.4	15.9	9.0
11.8	10.8	13.4	21.4	18.9
7.7	8.2	8.0	12.2	11.0
13.9	12.8	6.8	20.3	13.5
2.8	2.9	2.4	3.4	3.5
5.8	0.5	2.7	7.5	5.4
10.5	0.5	11.3	-	-
-	-	-	1.3	4.1
72.1	45.9	51.0	82.0	65.4
27.9 %	54.1 %	49.0 %	18.0 %	34.6 %

Chambers County Improvement District No. 3
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Three Years Ended December 31,

	Amounts		
	2025	**2024**	**2023**
Debt Service Fund			
Revenues			
Property taxes	$ 744,190	$ 184,038	$ -
Penalty and interest	43,501	35,683	75,559
Investment income	26,635	40,137	9,200
Other income	13,502	-	20
Total Revenues	827,828	259,858	84,779
Expenditures			
Current			
Professional fees	11,711	12,774	16,298
Contracted services	25,654	24,060	18,986
Other expenditures	4,434	2,103	2,075
Debt Service			
Principal retirement	250,000	-	-
Interest and fees	681,018	631,528	-
Total Expenditures	972,817	670,465	37,359
Excess (Deficiency) of Revenues Over Expenditures	(144,989)	(410,607)	47,420
Other Financing Sources (Uses)			
Interfund transfers out	-	-	(49,335)
General obligation bonds issued	107,644	-	872,528
Total Other Financing Sources	107,644	-	823,193
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(37,345)	(410,607)	870,613
Fund Balance, Beginning of Year	460,006	870,613	-
Fund Balance, End of Year	$ 422,661	$ 460,006	$ 870,613

Percent of Fund Total Revenues		
2025	2024	2023
89.9 %	70.8 %	- %
5.3	13.7	89.1
3.2	15.5	10.9
1.6	-	0.0
100.0	100.0	100.0
1.4	4.9	19.2
3.1	9.3	22.4
0.5	0.8	2.5
30.2	-	-
82.3	243.0	-
117.5	258.0	44.1
(17.5) %	(158.0) %	55.9 %

Chambers County Improvement District No. 3
Board Members, Key Personnel, and Consultants
Year Ended December 31, 2025

Complete District mailing address:	Chambers County Improvement District No. 3 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		April 10, 2025
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Brian Cunningham	Elected 05/24–05/28	$ 3,536	$ 3,400	President
Elizabeth Gilbert	Elected 05/22–05/26	1,768	252	Vice President
Bronson Clay	Elected 05/24–05/28	5,083	2,172	Secretary
Hector Martinez	Elected 05/22–05/26	663	139	Assistant Secretary
Roland Ramirez	Elected 05/22–05/26	3,978	2,922	Assistant Secretary

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

Chambers County Improvement District No. 3
Board Members, Key Personnel, and Consultants
Year Ended December 31, 2025 **(Continued)**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Mike Arterburn, RTA	04/23/12	$ 12,227	Tax Assessor/ Collector
Chambers County Appraisal District	Legislative Action	18,754	Appraiser
Forvis Mazars, LLP	12/12/18	37,000	Auditor
The GMS Group, L.L.C.	12/17/13	87,405	Financial Advisor
Municipal Accounts & Consulting, L.P.	09/14/22	82,888	Bookkeeper
Municipal District Services, LLC	02/27/12	221,713	Operator
Quiddity Engineering, LLC	03/10/11	154,385	Engineer
Schwartz, Page & Harding, L.L.P.	03/10/11	125,496 147,289	Bond Counsel General Counsel
Ted A. Cox, P.C.	01/27/17	11,711	Delinquent Tax Attorney
Investment Officers			
Mark Burton and Ghia Lewis	09/14/22	N/A	Bookkeepers