OFFICIAL STATEMENT DATED NOVEMBER 3, 2026

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF CHAMBERS COUNTY MUNICIPAL UTILITY 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 HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

BOOK-ENTRY-ONLY

Insured Rating (AG): S&P "AA" (stable outlook)
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$3,500,000
CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 3
(A political subdivision of the State of Texas located within Chambers County)
UNLIMITED TAX BONDS
SERIES 2026

Dated Date: December 1, 2026 **Due: May 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Co., N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about December 15, 2026) (the "Date of Delivery") and will be payable on May 1 and November 1 of each year, commencing May 1, 2027, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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 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."

ASSURED GUARANTY® The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. ("AG" or the "Insurer").

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

Due (May 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (May 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2029	$ 50,000		7.500 %	3.65 %	15779C CD0	2041	$ 125,000	(b)	5.000 %	4.90 %	15779C CR9
2030	50,000		7.500	3.70	15779C CE8	2042	135,000	(b)	5.000	5.00	15779C CS7
2031	60,000		7.500	3.80	15779C CF5	2043	140,000	(b)	5.000	5.05	15779C CT5
2032	100,000		7.500	3.90	15779C CG3	2044	135,000	(b)	5.000	5.10	15779C CU2
2033	100,000	(b)	7.500	4.00	15779C CH1	2045	150,000	(b)	5.000	5.15	15779C CV0
2034	100,000	(b)	7.500	4.05	15779C CJ7	2046	150,000	(b)	5.000	5.18	15779C CW8
2035	115,000	(b)	5.375	4.15	15779C CK4	2047	160,000	(b)	5.000	5.20	15779C CX6
2036	115,000	(b)	5.000	4.30	15779C CL2	2048	170,000	(b)	5.000	5.22	15779C CY4
2037	115,000	(b)	5.000	4.45	15779C CM0	2049	175,000	(b)	5.000	5.24	15779C CZ1
2038	115,000	(b)	5.000	4.60	15779C CN8	2050	185,000	(b)	5.000	5.26	15779C DA5
2039	120,000	(b)	5.000	4.70	15779C CP3	2051	360,000	(b)	5.000	5.28	15779C DB3
2040	125,000	(b)	5.000	4.80	15779C CQ1	2052	450,000	(b)	5.000	5.29	15779C DC1

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) The Bonds maturing on or after May 1, 2033 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on May 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Chambers County Municipal Utility District No. 3 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, the City of Baytown 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.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation 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, 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., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056 upon payment of the costs of duplication.

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 relevant information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "UPDATING OF OFFICIAL STATEMENT."

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

OFFICIAL STATEMENT SUMMARY

The following information 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 therein.

THE FINANCING

The Issuer ..... Chambers County Municipal Utility District No. 3 (the "District"), a political subdivision of the State of Texas, is located in Chambers County, Texas. See "THE DISTRICT."

The Issue ..... $3,500,000 Chambers County Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2026, dated December 1, 2026 (the "Bonds"). The Bonds mature serially on May 1 in each year from 2029 through 2052, both inclusive, in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable May 1 and November 1 of each year, commencing May 1, 2027, until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after May 1, 2033 are subject to optional redemption, in whole or, from time to time, in part, on May 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only ..... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Authority for Issuance ..... At an election held within the District on May 2, 2020, voters authorized a total of $144,830,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the second issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order (herein defined), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8042, Texas Special District Local Laws Code, an election held within the District, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt," and "RISK FACTORS—Future Debt."

Source of Payment ..... Principal of and interest on the Bonds and the Outstanding Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, the City of Baytown or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds ..... Proceeds from the Bonds will be used to pay for engineering and construction costs related to water, sanitary sewer and drainage facilities. In addition, proceeds from the Bonds will be used to capitalize $87,500 of interest on the Bonds, which is the maximum amount approved by the TCEQ; to pay for interest on funds advanced by the Developer (as herein defined) on behalf of the District; to reimburse the Developer for operating advances; and to pay engineering fees, administrative costs, operation costs, and certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record ..... The Bonds are the District's second issuance of unlimited tax bonds for water, sanitary sewer and drainage facilities. The District previously issued $1,720,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in one series and $4,105,000 principal amount of unlimited tax bonds for road facilities in one series, all of which remains outstanding as of the date hereof (the "Outstanding Bonds"). The District will capitalize $87,500 of interest from Bond proceeds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The District has timely paid its debt service on the Outstanding Bonds.

Qualified Tax-Exempt Obligations ..... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

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

Engineer ..... Quiddity Engineering, LLC, Houston, Texas.

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

Financial Advisor ..... Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar ..... The Bank of New York Mellon Trust Co., N.A., Houston, Texas.

Municipal Bond Rating and Municipal Bond Insurance ... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

THE DISTRICT

Description ..... The District is a municipal utility district created by an act of the Texas Legislature (House Bill No. 4673, Regular Session, dated August 11, 2019), under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Baytown (the "City"), is subject to the continuing supervisory jurisdiction of the TCEQ. The District contains approximately 223 acres of land. See "THE DISTRICT."

Location ..... The District is located approximately 30 miles east of downtown Houston, approximately 10 miles east of the City and 2 miles south of the City of Mont Belvieu. The District is bordered on the north by Interstate 10, to the east by State Highway 99 and approximately one-half mile north of Kilgore Parkway. The District is located entirely within the extraterritorial jurisdiction of the City and within the boundaries of Barbers Hill Independent School District. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development ..... Single-family residential development in the District consists of Heights of Barbers Hill, Sections One through Three (447 single-family residential lots on approximately 73 acres). As of August 11, 2026, 220 homes were completed (219 occupied), 34 homes were under construction or in the name of a homebuilder and 193 vacant developed lots were available for home construction. Lots in the Heights of Barbers Hill, Section Three are currently awaiting connection to power. Homebuilding is expected to begin in November 2026. According to the Developer (defined below), the average sales price of homes in the District is approximately $320,000. A recreation center has been constructed on approximately 2 acres of land in the District. Additionally, a convenience store is being constructed on approximately 2 acres within the District and is expected to be completed by the second quarter of 2027. See "THE DISTRICT—Land Use," "—Status of Development" and "—Future Development."

The District also includes approximately 82 developable acres that remain to be developed, including approximately 20 acres owned by Barber Hills ISD Educational Foundation which are not subject to taxation by the District, and approximately 64 acres that are undevelopable (street easements, drainage detention, and parks). See "THE DISTRICT" and "RISK FACTORS—Undeveloped Acreage and Vacant Lots."

The Developer and Major Landowners ..... Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage" or the "Developer") is developing land within the District as Heights of Barbers Hill. Meritage has completed the development of Heights of Barbers Hill, Sections One through Three (447 single-family residential lots on approximately 73 acres). Meritage owns approximately 25 acres of developable but undeveloped land in the District.

Barbers Hill ISD Educational Foundation owns approximately 20 acres of undeveloped land in the District which is exempt from the payment of property taxes. Needlepoint Road MF LLC owns approximately 24 acres of developable but undeveloped land in the District. The remaining 13 acres are owned by 3 separate land owners on 3 separate tracts. The District is not currently aware of any plans to develop such acreage. See "THE DEVELOPER AND MAJOR LANDOWNERS," "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Principal Taxpayers and the Developer,"

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all 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 Assessed Valuation	$79,486,330	(a)
Estimated Taxable Assessed Valuation as of August 1, 2026	$91,316,830	(b)
Gross Direct Debt Outstanding	$ 9,325,000	(c)
Estimated Overlapping Debt	2,044,107	(d)
Total Gross Direct Debt and Estimated Overlapping Debt	$11,369,107	
Ratios of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	11.73%	
Estimated Taxable Assessed Valuation as of August 1, 2026	10.21%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	14.30%	
Estimated Taxable Assessed Valuation as of August 1, 2026	12.45%	
Operating Funds Available as of September 9, 2026	$177,904	(e)
Water, Sanitary Sewer and Drainage Capital Funds Available as of September 9, 2026	$ 28,775	(f)
Debt Service Funds Available:		
Water, Sanitary Sewer and Drainage Debt Service Fund Balance as of September 9, 2026	$107,430	(g)
Road Debt Service Fund Balance as of September 9, 2026	226,760	(g)
Capitalized Interest from Bond Proceeds (WSD)	87,500	(g) (h)
Total Funds Available for Debt Service	$421,690	
2026 Debt Service Tax Rate	$0.62	
2026 Maintenance and Operations Tax Rate	0.88	
2026 Total Tax Rate	$1.50	
Average Annual Debt Service Requirement (2027-2052)	$619,166	(i)
Maximum Annual Debt Service Requirement (2032)	$656,630	(i)
Tax Rate Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collection Rate		
Based upon 2026 Certified Taxable Assessed Valuation	$0.82	
Based upon Estimated Taxable Assessed Valuation as of August 1, 2026	$0.72	
Tax Rate Required to Pay Maximum Annual Debt Service (2032) at a 95% Collection Rate		
Based upon 2026 Certified Taxable Assessed Valuation	$0.87	
Based upon Estimated Taxable Assessed Valuation as of August 1, 2026	$0.76	
Status of Development as of August 11, 2026 (j):		
Completed Single-Family Homes (219 occupied)	220	
Homes under construction or in the name of a builder	34	
Lots available for home construction	193	
Estimated Population	767 (k)	

(a) As certified by the Chambers County Appraisal District (the "Appraisal District"). See TAX PROCEDURES."

(b) As estimated by the Appraisal District as of August 1, 2026 for information purposes only. The 2026 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2026 to August 1, 2026. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."

(c) After issuance of the Bonds. Includes the Outstanding Bonds and the Bonds. See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."

(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

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

(f) The District expects to contribute all available Water, Sanitary Sewer and Drainage surplus capital projects funds towards the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sanitary sewer and drainage facilities (the "WSD Bonds"), including the Bonds, and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). See "THE BONDS—Funds" and "DEBT SERVICE REQUIREMENTS." Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.

(h) The District will capitalize $87,500 of interest from Bond proceeds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "DEBT SERVICE REQUIREMENTS."

(i) See "DEBT SERVICE REQUIREMENTS."

(j) See "THE DISTRICT—Status of Development."

(k) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

$3,500,000

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 3

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

UNLIMITED TAX BONDS
SERIES 2026

This Official Statement provides certain information in connection with the issuance by Chambers County Municipal Utility District No. 3 (the "District") of its $3,500,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

This Official Statement includes descriptions, among others, of the Bonds and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and certain other information about the District, Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage" or the "Developer"). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

THE BONDS

General

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

Description

The Bonds will be dated December 1, 2026, with interest payable May 1 and November 1 (each an "Interest Payment Date"), commencing May 1, 2027, until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on May 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS AND CUSIPS" 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 2, 2020, voters of the District authorized a total of $144,830,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the second issuance of bonds from such authorization. After the issuance of the Bonds, a total of $139,610,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 8042, Texas Special District Local Laws Code; the general laws of the State of Texas, and an order of the TCEQ.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereafter defined) and 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 "TAX 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, Chambers County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms 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 road facilities, ("Road Bonds") from funds received to pay debt service on bonds issued to finance water, sanitary sewer and drainage facilities ("WSD Bonds"), including the Bonds. The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD Bonds and Road Bonds. $87,500 of capitalized interest, which is the maximum amount approved by the TCEQ, will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of WSD Bonds. All remaining proceeds of the Bonds will be deposited in the subaccount of the Construction Fund created in respect of WSD Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of WSD 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 WSD Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized WSD 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 WSD 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 Bonds and any of the District's duly authorized WSD 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 or to become due on WSD 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 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 May 1, 2033 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on May 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Co., N.A., having its principal corporate trust office and 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. All references herein to the Registered Owners of the bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds, so long as the Bonds are registered in the name of Cede & Co. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order 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

The District's voters have authorized the issuance of a total of $144,830,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, $71,420,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities, $43,449,000 principal amount of unlimited tax refunding water, sanitary sewer and drainage bonds and $21,426,000 principal amount of unlimited tax road refunding bonds and could authorize additional amounts. Following issuance of the Bonds, the District will have $139,610,000 principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities, $67,315,000 principal amount of unlimited tax bonds authorized but unissued for road facilities and all of the bonds authorized for water, sanitary sewer and drainage refunding bonds and road refunding bonds authorized but unissued.

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

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

The District was created by Act of the 86th Legislature of the State of Texas, July 11, 2019, Regular Session pursuant to House Bill 4673, codified as Chapter 8042, Texas Special District Local Laws Code, as a municipal utility district under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, which included the granting of road powers. At an election held within the District on May 2, 2020, voters of the District authorized a total of $71,420,000 principal amount of unlimited tax bonds for financing and constructing road facilities, of which $67,315,000 principal amount remains authorized but unissued, and could authorize additional amounts. See "—Issuance of Additional Debt" herein and "RISK FACTORS—Future Debt." Issuance of additional unlimited tax bonds for road facilities may 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. Under the terms of the SPA (as hereinafter defined) between the District and the City of Baytown (the "City"), however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA (January 13, 2021). See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner 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 Order.

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book- Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by Act of the 86th Texas Legislature (House Bill No. 4673, Regular Session, dated July 11, 2019 (codified as Chapter 8042, Texas Special District Local Laws Code)), under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City, is subject to the continuing supervisory jurisdiction of the TCEQ. The District contains approximately 223 acres of land.

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—Issuance of Additional Debt" and "Financing Road Facilities."

The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, 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. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting 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 is located approximately 30 miles east of downtown Houston, approximately 10 miles east of the City and 2 miles south of the City of Mont Belvieu. The District is bordered on the north by Interstate 10, to the east by State Highway 99 and approximately one-half mile north of Kilgore Parkway. The District is located entirely within the extraterritorial jurisdiction of the City and within the boundaries of Barbers Hill Independent School District. See "AERIAL PHOTOGRAPH."

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

Single-Family Residential	Approximate Acres	Lots
Heights of Barbers Hill		
Section 1	26	159
Section 2	18	108
Section 3 (a)	29	180
Subtotal	73	447
Recreation Center	2	
Commercial Development (b)	2	
Future Development (c)	82	---
Undevelopable (d)	64	---
	223	447

(a) Lots in the Heights of Barbers Hill, Section Three are currently awaiting connection to power. Homebuilding is expected to begin in November 2026.
(b) Construction of a convenience store is underway with completion expected by the second quarter of 2027. See "Status of Development" below.
(c) Includes approximately 20 acres owned by Barber Hills ISD Educational Foundation which are not subject to ad valorem taxation by the District. See "THE DEVELOPER AND MAJOR LANDOWNERS—Major Landowners."
(d) Consists of street easements, drainage detention, and parks.

Status of Development

Single-family residential development in the District consists of Heights of Barbers Hill, Sections One through Three (447 single-family residential lots on approximately 73 acres). As of August 11, 2026, 220 homes were completed (219 occupied), 34 homes were under construction or in the name of a homebuilder and 193 vacant developed lots were available for home construction. Lots in the Heights of Barbers Hill, Section Three are currently awaiting connection to power. Homebuilding is expected to begin in November 2026. According to the Developer (defined below), the average sales price of homes in the District is approximately $320,000.

A recreation center has been constructed on approximately 2 acres of land in the District. Additionally, a convenience store is being constructed on approximately 2 acres within the District with completion expected by the second quarter of 2027.

Undeveloped Acreage

The District also includes approximately 82 developable acres that remain to be developed, including approximately 20 acres owned by Barber Hills ISD Educational Foundation which are not subject to ad valorem taxation by the District, and approximately 64 acres that are undevelopable (street easements, drainage detention, and parks).

Future Development

Approximately 82 developable acres of land in the District are not yet fully served with water, wastewater, storm drainage and paving facilities necessary for the construction of taxable improvements (excluding approximately 2 acres under construction for a convenience store with completion expected by the second quarter of 2027). While the District anticipates future development of this acreage, there can be no assurances when or if any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, sanitary sewer, drainage and road facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds ($206,925,000 principal amount collectively for water, sanitary sewer, and drainage, and road facilities after issuance of the Bonds) should be sufficient to finance the construction of facilities to complete the District's water, sanitary sewer, drainage and road facilities for full development of the District. See "THE BONDS—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Strategic Partnership Agreement

The District and the City have entered into a Strategic Partnership Agreement dated effective January 13, 2021 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for the "limited purpose annexation" of the land within the District for purposes of imposing certain City ordinances defined in the SPA and to allow the City to impose its sales and use tax on commercial properties within the District. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. 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."

THE DEVELOPER AND MAJOR LANDOWNERS

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be reimbursed (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.

Meritage Homes of Texas LLC

Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage" or the "Developer") is developing land within the District as Heights of Barbers Hill. Meritage has completed the development of Heights of Barbers Hill, Sections One through Three (447 single-family residential lots on approximately 73 acres). Meritage continues to own an additional approximately 25 acres of developable but undeveloped land in the District. Meritage is a wholly-owned subsidiary of Meritage Homes Corporation, a Maryland corporation whose common stock is listed on the New York Stock Exchange under the ticker symbol MTH. See "TAX DATA—Principal Taxpayers."

In addition, Meritage makes available on its web site https://www.meritagehomes.com/ its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on Meritage's website, available by hyperlink from Meritage's web site or on the SEC's web site, is not incorporated into this Official Statement.**

Major Landowners

Barbers Hill ISD Educational Foundation owns approximately 20 acres of undeveloped land in the District which is exempt from the payment of property taxes. Needlepoint Road MF LLC owns approximately 24 acres of developable but undeveloped land in the District. The remaining 13 acres are owned by 3 separate land owners on 3 separate tracts. The District is not currently aware of any plans to develop such acreage.

MANAGEMENT

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 staggered four-year terms in May of even numbered years only. Each of the Board members own land within the District, subject to a note and deed of trust in favor of the Developer. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Adam Kupstas	President	May 2030
Ronald Leschak	Vice President	May 2028
Leah Coale	Secretary	May 2028
Julie Davids	Assistant Secretary	May 2028
Rebecca Holt	Assistant Secretary	May 2030

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Chambers County Appraisal District. The District contracts with Utility Tax Service, LLC to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Municipal District Services, L.L.C. for maintenance and operation of the District's system (the "Operator").

Bookkeeper

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

Engineer

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

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."

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.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P. ("Disclosure Counsel") has been engaged by the District to serve as disclosure counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the District's Engineer, the water distribution, sanitary sewer collection and drainage facilities serving the District (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and Chambers County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ. Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District, the City and Chambers County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

Water Supply Facilities

Pursuant to a Water Supply Agreement by and between the City and the District (the "Water Agreement") dated December 21, 2020, with a term of 30 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 12-inch waterline. The City provides water supply service to the District through one (1) principal point of delivery within the District that distributes 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 point of delivery from the City. Pursuant to the Water Agreement, the City agreed to provide sufficient water capacity to serve the lesser of 1,625 equivalent single-family connections ("ESFCs") or the number of ESFCs required to serve the projected demand at build-out as actually platted. 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 paid and will pay impact fees to the City on a per ESFC basis at the time plats are submitted for approval. Pursuant to the Water Agreement, the City will sell and deliver to 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

The District entered into a Joint Facilities and Cost Sharing Agreement [Wastewater Treatment Plant] with Chambers County Improvement District No. 3 ("CCID 3"), effective October 14, 2020, as amended (the "Wastewater Agreement"), for use of a joint wastewater treatment plant. According to the District's Engineer, construction of the 0.2 million gallons per day ("MGD") joint wastewater treatment plant ("Phase I") is complete and operational. Phase I of the joint wastewater treatment plant is capable of serving 667 ESFCs according to TCEQ criteria, of which 283 ESFCs have been reserved for the District. CCID 3 is constructing the 0.5 MGD expansion ("Phase II"). Once Phase II is complete, the District will have 406 ESFCs reserved in the joint wastewater treatment plant. According to the Engineer, construction of Phase II is underway and is anticipated to be complete by the third quarter of 2027.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection, two detention ponds and storm drainage facilities to serve 447 single-family residential lots and a convenience store currently under construction on approximately 2 acres with completion expected by the second quarter of 2027. See "THE DISTRICT—Land Use," "—Status of Development," and "—Future Development."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, no areas within the District are located within the 100-year flood plain. See "RISK FACTORS—Extreme Weather Events."

Atlas 14

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

THE ROAD SYSTEM

The road system (the "Roads") serves the residents of the District by providing roads and thoroughfares within the District and the surrounding area. Upon completion, the District intends that the Roads are or will be accepted by Chambers County for operation and maintenance in accordance with the procedures of Chambers County.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by Quiddity Engineering (the "Engineer") and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

CONSTRUCTION RELATED COSTS	
Construction Costs	$ 2,428,502
Less: Surplus Funds Applied	(30,089)
Total Construction Related Costs	**$ 2,398,413**
NON-CONSTRUCTION COSTS	
Underwriter's Discount (a)	$ 104,618
Capitalized Interest (a)	87,500
Developer Interest	499,962
Total Nonconstruction Costs	**$ 692,080**
ISSUANCE COSTS AND FEES	
Issuance Costs and Professional Fees	$ 222,315
Bond Application Report	50,000
Developer Advances	124,560
State Regulatory Fees	12,250
Contingency (a)	382
Total Issuance Costs and Fees	**$ 409,507**
TOTAL BOND ISSUE	**$ 3,500,000**

(a) The TCEQ approved a maximum Underwriter's Discount of 3.00% and $87,500 of capitalized interest. Contingency represents the difference between the estimated and actual amount of Underwriter's Discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The District cannot and does not guarantee the sufficiency of such funds for such purpose.

WATER AND SANITARY SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds and the Outstanding Bonds, but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

Waterworks and Sanitary Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended December 31, 2022 through 2025 and an unaudited summary for the eight-month period ended August 31, 2026, provided by the Bookkeeper. Reference is made to such records and statements for further and more complete information.

		Fiscal Year Ended December 31			
	1/1/2026 thru 8/31/2026 (a)	2025	2024	2023	2022
Revenues					
Property Taxes	$ 473,583	$ 381,782	$ 235,041	$ 174,458	$ 59,960
Water Service	248,260	272,951	141,018	47,720	-
Sewer Service	129,973	141,906	73,356	12,522	-
Penalty and Interest	6,377	4,318	4,595	9,045	5,044
Tap Connection and Inspection Fees	75,662	109,285	155,226	75,865	-
Sale of Capacity	-	-	-	32,610	-
Investment Income	1,788	3,815	1,888	4,458	595
Other Income	192,825	91,653	-	-	288
Total Revenues	$ 1,128,467	$ 1,005,710	$ 611,124	$ 356,678	$ 65,887
Expenditures					
Purchased Services	$ 248,226	$ 508,710	$ 170,823	$ 69,549	$ -
Professional Fees	144,852	145,249	141,196	85,003	77,797
Contracted Services	96,797	115,579	83,051	47,739	29,521
Utilities	2,592	3,038	1,637	-	-
Repairs and Maintenance	78,312	374,119	152,913	17,342	-
Other Expenditures	232,575	47,512	55,934	45,249	31,235
Tap Connections	34,114	100,128	186,366	41,645	-
Capital Outlay	-	21,144	-	2,384,438	1,786,176
Purchase of Capacity	1,174,600	-	-	32,610	-
Total Expenditures	$ 2,012,069	$ 1,315,479	$ 791,920	$ 2,723,575	$ 1,924,729
Revenues Over (Under) Expenditures	$ (883,602)	$ (309,769)	$ (180,796)	$ (2,366,897)	$ (1,858,842)
Other Sources (Uses)					
Interfund transfers in	$ -	$ 26,500	$ -	$ -	$ -
Developer Advances (b)	1,309,240	-	-	2,518,698	1,886,676
Total Other Financing Sources	$ 1,309,240	$ 26,500	$ -	$ 2,518,698	$ 1,886,676
Fund Balance (Beginning of Year)	$ (307,611)	$ (24,342)	$ 156,454	$ 4,653	$ (23,181)
Fund Balance (End of Year)	$ 118,027	$ (307,611)	$ (24,342)	$ 156,454	$ 4,653

(a) Unaudited. Provided by the Bookkeeper.
(b) See "RISK FACTORS—Operating Funds."

FINANCIAL STATEMENT (UNAUDITED)

2026 Certified Taxable Assessed Valuation	$79,486,330	(a)
Estimated Taxable Assessed Valuation as of August 1, 2026	$91,316,830	(b)
Gross Direct Debt Outstanding	$ 9,325,000	(c)
Estimated Overlapping Debt	2,044,107	(d)
Total Gross Direct Debt and Estimated Overlapping Debt	$11,369,107	
Ratios of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	11.73%	
Estimated Taxable Assessed Valuation as of August 1, 2026	10.21%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	14.30%	
Estimated Taxable Assessed Valuation as of August 1, 2026	12.45%	
Operating Funds Available as of September 9, 2026	$177,904	(e)
Water, Sanitary Sewer and Drainage Capital Funds Available as of September 9, 2026	$ 28,775	(f)
Debt Service Funds Available:		
Water, Sanitary Sewer and Drainage Debt Service Fund Balance as of September 9, 2026	$107,430	(g)
Road Debt Service Fund Balance as of September 9, 2026	226,760	(g)
Capitalized Interest from Bond Proceeds (WSD)	87,500	(g) (h)
Total Funds Available for Debt Service	$421,690	

Area of District – 223 Acres
Estimated 2026 Population – 767 (i)

_____

(a) As certified by the Appraisal District. See "TAXING PROCEDURES."

(b) As estimated by the Appraisal District as of August 1, 2026 for information purposes only. The 2026 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2026 to August 1, 2026. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."

(c) After issuance of the Bonds. Includes the Outstanding Bonds and the Bonds. See "—Outstanding Bonds" herein.

(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

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

(f) The District expects to contribute all available Water, Sanitary Sewer and Drainage surplus capital projects funds towards the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sanitary sewer and drainage facilities (the "WSD Bonds"), including the Bonds, and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). See "THE BONDS—Funds" and "DEBT SERVICE REQUIREMENTS." Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.

(h) The District will capitalize $87,500 of interest from Bond proceeds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "DEBT SERVICE REQUIREMENTS."

(i) Based upon 3.5 persons per occupied single-family residence.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds for the purpose of acquiring or constructing road facilities, and one series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The following table lists the original principal amount of such bonds by series and the principal amount outstanding as of the date hereof (the "Outstanding Bonds").

Series		Original Principal Amount	Outstanding Bonds (as of 9/1/26)
2024	(a)	$ 4,105,000	$ 4,105,000
2025		1,720,000	1,720,000
Total		$ 5,825,000	$ 5,825,000

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds		As of	Overlapping Percent	Overlapping Amount
Chambers County	$ 211,325,000		8/31/2026	0.25%	$ 528,313
Barbers Hill ISD	541,355,000		8/31/2026	0.28%	1,515,794
Total Estimated Overlapping Debt					$ 2,044,107
Direct Debt	9,325,000	(a)	Current	100.00%	9,325,000
Total Direct and Estimated Overlapping Debt					$ 11,369,107
Ratio of Direct and Estimated Overlapping Debt to 2026 Certified Taxable Assessed Valuation					14.30%
Estimated Taxable Assessed Valuation as of August 1, 2026					12.45%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Taxes

	2026 Tax Rate per $100 of Taxable Assessed Valuation
Chambers County (a).....	$ 0.414425
Chambers County School Fund.....	0.025321
Barbers Hill ISD.....	1.052300
Lee College - Barbers Hill.....	0.050000
Total Overlapping Tax Rate.....	$ 1.542046
The District (b).....	$ 1.500000
Total Tax Rate.....	$ 3.042046

(a) Includes 2026 tax rate for the Special Road & Bridge Fund and Farm-to-Market/Flood Control Fund.
(b) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See "THE BONDS—Authority for Issuance."

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On May 9, 2015, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $1.50 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2026 in the amount of $0.88 per $100 assessed valuation.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.62	$ 0.60	$ -	$ -	$ -
Maintenance and Operations	0.88	0.90	1.50	1.50	1.50
Total	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50

Tax Rate Limitations

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

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2026 (a) Amount	Percent
2021	$ 4,007,360	$ 1.50	$ 60,110	$ 60,110	100.00%
2022	11,630,554	1.50	174,458	174,458	100.00%
2023	15,669,430	1.50	235,041	235,041	100.00%
2024	25,515,336	1.50	382,730	382,178	99.86%
2025	53,825,107	1.50	807,377	803,325	99.50%
2026	79,486,330	1.50	1,192,295	(b)	(b)

(a) Unaudited.
(b) In process of collection. Taxes for 2026 are due January 31, 2027.

Taxes are due upon receipt of 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. No split payments are allowed and no discounts are allowed.

Summary of Assessed Valuation

The following breakdown of the 2022 through 2026 Certified Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2022 through 2026 certified tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. An accurate breakdown related to the Estimated Taxable Assessed Valuation as of August 1, 2026 of $91,316,830 is not available.

	2026	2025	2024	2023	2022
Land	$ 42,582,820	$ 38,419,920	$ 19,683,400	$ 20,166,190	$ 16,509,950
Improvements	56,767,950	33,116,330	12,160,920	305,640	-
Personal Property	512,300	260,207	86,286	88,340	10,604
Exemptions	(20,376,740)	(17,971,350)	(6,415,270)	(4,890,740)	(4,890,000)
Total	$ 79,486,330	$ 53,825,107	$ 25,515,336	$ 15,669,430	$ 11,630,554

Principal Taxpayers

The following lists of principal taxpayers were provided by the District's Tax Assessor/Collector based upon the 2026 Certified Taxable Assessed Valuation of $79,486,330, which reflects ownership at January 1, 2026. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2026 of $91,316,830 is not available as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Meritage Homes of Texas LLC (a)	$ 7,056,570	8.88%
Needlepoint Road MF LLC (a)	6,250,000	7.86%
XAG Group LLC	2,160,000	2.72%
Individual	771,400	0.97%
99 Needlepoint LLC	636,060	0.80%
A N Baytown Investment Corp	561,600	0.71%
Baytown Retail LTD	561,600	0.71%
Individual	385,700	0.49%
Individual	385,700	0.49%
Individual	384,500	0.48%
Total	$ 19,153,130	24.10%

(a) See "THE DEVELOPER AND MAJOR LANDOWNERS."

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2026 Certified Taxable Assessed Valuation of $79,486,330 and the Estimated Taxable Assessed Valuation as of August 1, 2026 of $91,316,830 and no use of bond funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement at ninety-five percent (95%) collection of taxes levied. See "RISK FACTORS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2052)	$619,166
$0.82 Tax Rate on 2026 Certified Taxable Assessed Valuation at 90% collections	$619,199
$0.72 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2026	$624,607

Maximum Annual Debt Service Requirement (2032)	$656,630
$0.87 Tax Rate on 2026 Certified Taxable Assessed Valuation	$656,955
$0.76 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2026	$659,308

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 1, 2026 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or its inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX 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 sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent

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

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

General Residential Homestead Exemption

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

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

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

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

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 (if it were to annex the area) the City 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 ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with 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 one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount

specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who (i) is a person sixty-five (65) years of age or older, (ii) is 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 municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate.

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 on an annual basis. The District has been designated as a Developing District for the 2026 tax year. 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 with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds. This schedule does not reflect that the District and will capitalize $87,500 of interest, which represents the maximum amount approved by the TCEQ, from the proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements		Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2026	$ 128,017.50	(a)	$ -	$ -	$ -	$ 128,017.50
2027	383,096.25		-	164,084.10	164,084.10	547,180.35
2028	377,195.00		-	186,931.25	186,931.25	564,126.25
2029	376,151.25		50,000	185,056.25	235,056.25	611,207.50
2030	379,698.75		50,000	181,306.25	231,306.25	611,005.00
2031	377,832.50		60,000	177,181.25	237,181.25	615,013.75
2032	385,448.75		100,000	171,181.25	271,181.25	656,630.00
2033	382,541.25		100,000	163,681.25	263,681.25	646,222.50
2034	384,672.50		100,000	156,181.25	256,181.25	640,853.75
2035	382,060.00		115,000	149,340.63	264,340.63	646,400.63
2036	389,156.25		115,000	143,375.00	258,375.00	647,531.25
2037	385,733.75		115,000	137,625.00	252,625.00	638,358.75
2038	391,817.50		115,000	131,875.00	246,875.00	638,692.50
2039	392,336.25		120,000	126,000.00	246,000.00	638,336.25
2040	392,352.50		125,000	119,875.00	244,875.00	637,227.50
2041	396,755.00		125,000	113,625.00	238,625.00	635,380.00
2042	395,617.50		135,000	107,125.00	242,125.00	637,742.50
2043	398,790.00		140,000	100,250.00	240,250.00	639,040.00
2044	401,159.38		135,000	93,375.00	228,375.00	629,534.38
2045	402,812.50		150,000	86,250.00	236,250.00	639,062.50
2046	408,638.13		150,000	78,750.00	228,750.00	637,388.13
2047	408,688.75		160,000	71,000.00	231,000.00	639,688.75
2048	408,073.13		170,000	62,750.00	232,750.00	640,823.13
2049	411,682.50		175,000	54,125.00	229,125.00	640,807.50
2050	414,408.13		185,000	45,125.00	230,125.00	644,533.13
2051	122,775.00		360,000	31,500.00	391,500.00	514,275.00
2052	-		450,000	11,250.00	461,250.00	461,250.00
Total	$ 9,677,510.00		$ 3,500,000	$ 3,048,818.47	$ 6,548,818.47	$ 16,226,328.47

(a) Excludes the District's May 1, 2026 debt service payment in the amount of $125,209.17.

Maximum Annual Debt Service Requirement (2032) $656,630
Average Annual Debt Service Requirements (2027-2052) $619,166

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Chambers County, the City of Baytown (the "City"), or any other political entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Dependence on Principal Taxpayers and the Developer

There is a high concentration of taxable property in the District. The principal taxpayers represent $19,953,960 or approximately 24.10% of the 2026 Certified Taxable Assessed Valuation of $79,486,330, which represents ownership as of January 1, 2026. The Developer represents $7,056,570 or approximately 17.63% of such value. See "TAX DATA—Principal Taxpayers." A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2026 of $91,316,830 is not available. If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District's Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Debt Service Fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX PROCEDURES—Levy and Collection of Taxes."

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

Undeveloped Acreage and Vacant Lots

There are approximately 82 developable acres of land within the District that have not been fully provided with water, wastewater, storm drainage and paving facilities necessary to the construction of new development (excluding approximately 2 acres under construction for a convenience store with completion expected by the second quarter of 2027). Future increases in value will result primarily from the construction of lots and homes and development of the 82 developable acres by the Developer and other landowners in the District. Failure of the Developer or other landowners to develop the developable land or to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. See "THE DISTRICT—Land Use" and "—Status of Development."

Operating Funds

The District levied a 2026 maintenance tax rate of $0.88 per $100 of assessed valuation. The District's unaudited Operating Fund balance as of September 9, 2026 was $177,904. Obtaining and maintaining a positive Operating Fund balance will depend upon one or more of the following: (1) continued development and water and sewer revenues; (2) increased amounts of maintenance tax revenue; (3) tap revenues; and (4) developer advances. In the event that funds from the foregoing sources are not available, the District could be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE SYSTEM—General Operating Fund," "FINANCIAL STATEMENT (UNAUDITED)" and "TAX DATA—Maintenance and Operations Tax."

Developer/Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Competition

The demand for and construction of single-family homes in the District, which is approximately 30 miles from the central downtown business district of the City of Houston, could be affected by competition from other residential developments including other residential developments located in the eastern portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots available for the construction of primary residences. The market value of such properties, homes, lots and undeveloped land is related to general economic conditions affecting the demand for residences. Demand for lots and undeveloped land of this type and the construction of residential improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots 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 Development."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for 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 east of the central downtown business district of the City of Houston, 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 City and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Increase in Costs of Building Materials

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

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 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 26, 2017, and brought historic levels of rainfall during the successive four days.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in 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 could be adversely affected.

Specific Flood Type Risks

The District is subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flood: 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.

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 District property owners to pay their ad valorem taxes. The 2026 Certified Taxable Assessed Valuation of the District is $79,486,330. See "FINANCIAL STATEMENT (UNAUDITED)." After issuance of the Bonds, the maximum annual debt service requirement will be $656,630 (2032) and the average annual debt service requirement will be $619,166 (2027-2052). Assuming no increase or decrease from the 2026 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.87 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.82 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DEBT SERVICE REQUIREMENTS." The Estimated Taxable Assessed Valuation as of August 1, 2026 is $91,316,830. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of August 1, 2026 and no use of other funds other than tax collections, a tax rate of $0.76 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.72 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement.

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2026, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

After the issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining $139,610,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, $67,315,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing road facilities, the $43,449,000 principal amount of authorized but unissued unlimited tax water, sanitary sewer and drainage refunding bonds, and the $21,426,000 principal amount of authorized but unissued unlimited tax road refunding bonds, and any additional bonds which may be voted hereafter. After the issuance of the Bonds, the Developer will have financed approximately $19,727,075 for water, sanitary sewer and drainage facilities and $4,352,902 for road facilities for which they have not been reimbursed. See "THE BONDS—Issuance of Additional Debt," "—Financing Road Facilities" and "USE AND DISTRIBUTION OF BOND PROCEEDS—Future Debt." The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time.

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. See "THE BONDS—Issuance of Additional Debt."

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 requirement.

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two 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 "TAX 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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial 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 Beneficial 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 Beneficial 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 Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, 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 the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, 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 such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no agreement with the Initial Purchaser 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 generally bought, sold or traded in the secondary market.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Assured Guaranty Inc. ("AG" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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 RATING" and "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 Initial Purchaser 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 "MUNICIPAL BOND RATING" and "MUNICIPAL 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 proposal could limit 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.

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

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

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

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser 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 financial condition 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 Initial Purchaser 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.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, AG will issue its municipal bond insurance policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At September 30, 2026:

- The policyholders' surplus of AG was approximately $3,102 million.
- The contingency reserve of AG was approximately $1,599 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,415 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2026 (filed by AGL with the SEC on November 6, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0109% of the principal amount thereof, which resulted in a net effective interest rate of 5.284598% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate 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 municipal utility district 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, which are more generally bought, sold or traded in the secondary market.

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 Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described below under "CERTIFICATION OF OFFICIAL STATEMENT." 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

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

> "THE DISTRICT"—Quiddity Engineering, LLC; "THE DEVELOPER AND MAJOR LANDOWNERS"—Meritage, "TAX PROCEDURES"—Utility Tax Service, LLC and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM"—Quiddity Engineering, LLC; "THE BONDS" and "LEGAL MATTERS"—Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT (UNAUDITED)" and "TAX DATA"—Chambers County Appraisal District, Utility Tax Service, LLC and the Municipal Advisory Council of Texas.

The Financial Advisor has provided the Following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as 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 in addition to the Financial Advisor.

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," and "THE SYSTEM" (as it relates to District facilities) 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.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Chambers County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Chambers County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC, and is included herein in reliance upon Utility Tax Service, LLC as an expert in collecting taxes.

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."

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER AND SANITARY SEWER OPERATIONS" has been provided by Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and asa result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data, which is customarily prepared by the District and publicly available annually to the MSRB. The information to be updated includes the quantitative financial information and operating data of the general type included in the District's audited financial statements and supplemental schedules as found in "APPENDIX A— District Audited Financial Statements for the fiscal year ended December 31, 2025 and Certain Supplemental Schedules." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. Any information concerning the District so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial information for the fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report becomes available.

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 the MSRB of the change.

Specified 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-exempt status of the Bonds, or other events affecting the tax-exempt 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 CFR § 240.15c2-12 (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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 Holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. 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 reason 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

Since its first issuance of bonds in 2024, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix 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.

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

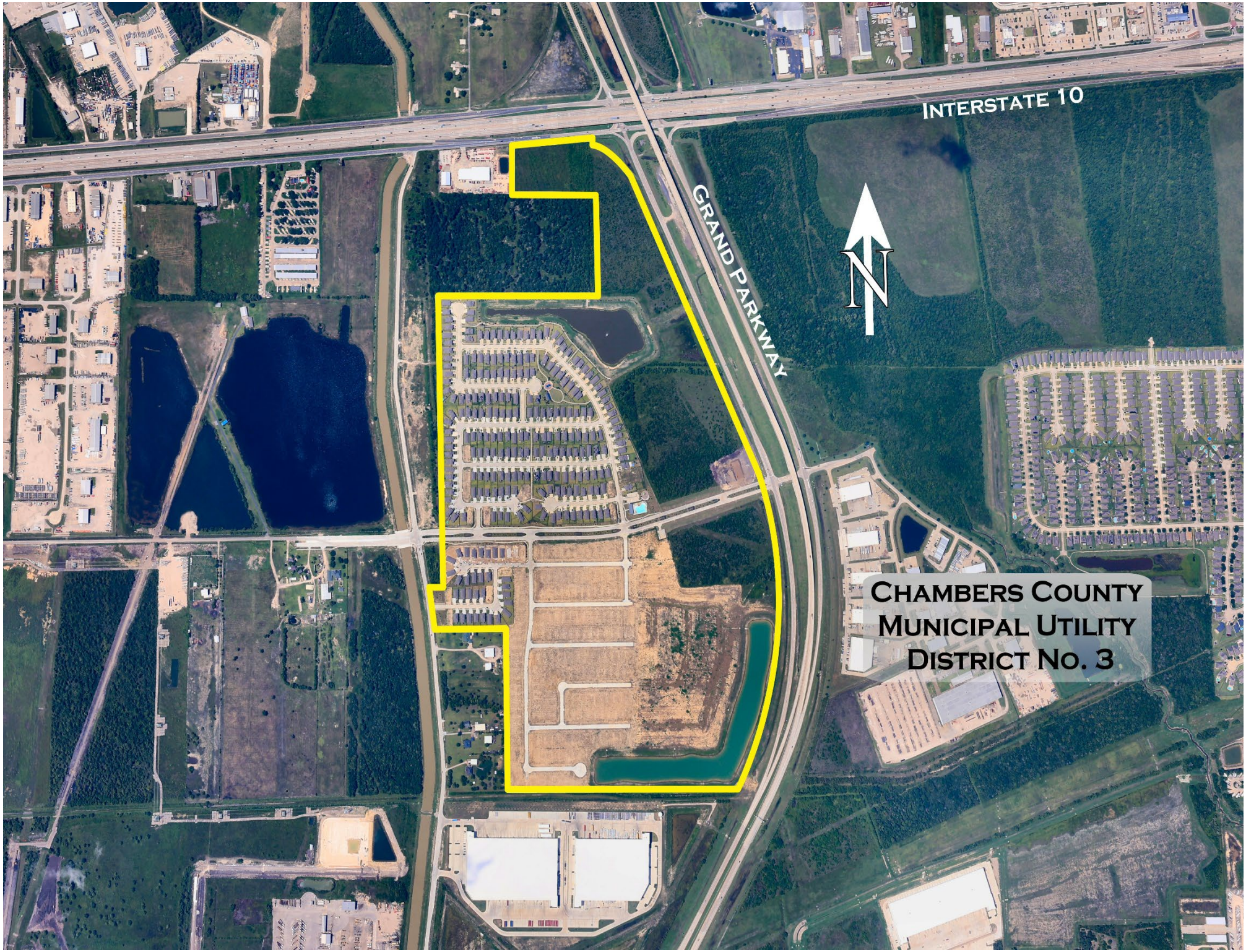
/s/Adam Kupstas
President, Board of Directors
Chambers County Municipal Utility District No. 3

ATTEST:

/s/Leah Coale
Secretary, Board of Directors
Chambers County Municipal Utility District No. 3

AERIAL PHOTO

(Approximate boundaries as of August 2026)


INTERSTATE 10
GRAND PARKWAY
N
CHAMBERS COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 3

PHOTOGRAPHS

The following photographs were taken in the District in July 2026 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.


HEIGHTS OF BARBERS HILL














SOLD


SOLD


SOLD





APPENDIX A

District Audited Financial Statements for the fiscal year ended December 31, 2025

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Chambers County Municipal Utility District No. 3 and certain supplemental information for the fiscal year ended December 31, 2025.

Chambers County Municipal Utility District No. 3

Chambers County, Texas

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

December 31, 2025

Chambers County Municipal Utility 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 Municipal Utility District No. 3
Chambers County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Chambers County Municipal Utility 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 schedule, 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 8, 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 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	$ 3,943,774	$ 3,363,728
Capital assets	12,851,538	10,969,913
Total assets	$ 16,795,312	$ 14,333,641
Long-term liabilities	$ 29,378,877	$ 26,834,677
Other liabilities	684,223	113,557
Total liabilities	30,063,100	26,948,234
Deferred inflows of resources	811,290	400,161

Summary of Net Position (Continued)

	2025	2024
Net position		
Net investment in capital assets	$ (3,900,741)	$ (3,107,867)
Restricted	8,108	725
Unrestricted net position	(10,186,445)	(9,907,612)
Total net position	$ (14,079,078)	$ (13,014,754)

The total net position of the District decreased by $1,064,324, or about 8%. The majority of the decrease in net position is related to service operating expenses exceeding service revenues. 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	$ 383,608	$ 235,041
Charges for services	414,857	214,374
Other revenues	337,160	317,773
Total revenues	1,135,625	767,188
Expenses		
Services	1,579,962	962,204
Conveyance of capital assets	11,704	5,793,791
Depreciation	216,188	215,991
Debt service	392,095	264,082
Total expenses	2,199,949	7,236,068
Change in net position	(1,064,324)	(6,468,880)
Net position, beginning of period	(13,014,754)	(6,545,874)
Net position, end of period	$ (14,079,078)	$ (13,014,754)

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 $(31,013), a decrease of $390,788 from the prior year.

The general fund's fund balance decreased by $283,269 due to service operations expenditures exceeding property tax, service and tap connection, and inspection fees revenues.

The debt service fund's fund balance decreased by $149,769 primarily due to bond interest requirements exceeding proceeds from the sale of the Series 2025 bonds.

The capital projects fund's fund balance increased by $42,250 primarily due to 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 water and sewer service revenues and purchased services expenditures, contracted services expenditures, and repairs and maintenance expenditures being greater than anticipated and property tax revenues being less than anticipated. Additionally, other income was not included in the current year budget. The fund balance as of December 31, 2025 was expected to be $120,858, and the actual end-of-year fund balance was $(307,611).

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and prior fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2025	2024
Land improvements	$ 5,090,021	$ 3,009,980
Construction in progress	125,990	116,698
Water facilities	2,142,060	2,190,274
Wastewater facilities	5,493,467	5,652,961
Total capital assets	$ 12,851,538	$ 10,969,913

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

Water and wastewater facilities to serve Heights of Baytown, Section 1	$ 8,480
Construction in progress related to Chambers County Improvement District No. 3 wastewater treatment plant, Phase 2	9,292
South detention basin Phase 1 to serve Heights of Baytown	2,080,041
Total additions to capital assets	$ 2,097,813

Developers within the District have constructed water, sewer, drainage, and road 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 $23,273,006 was recorded in the government-wide financial statements.

Debt

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

Long-term debt payable, beginning of year	$ 26,834,677
Increases in long-term debt	3,748,441
Decreases in long-term debt	(1,204,241)
Long-term debt payable, end of year	$ 29,378,877

Since inception, the developers have advanced $452,664 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

At December 31, 2025, the District had $143,110,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer, and drainage systems within the District and $67,315,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving road and paving facilities within the District.

The District's bonds do not carry an underlying rating. The Series 2025 bonds carry a rating of "AA" from Standard and 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 bond indebtedness).

Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay future property taxes.

Contingencies

Developers of the District are constructing water, sewer, drainage, and road facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated current construction amounts are approximately $5,665,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 25,724	$ 114,203	$ 460	$ 140,387	$ -	$ 140,387
Short-term investments	4,610	146,186	168,031	318,827	-	318,827
Receivables						
Property taxes	417,915	277,392	-	695,307	-	695,307
Service accounts	29,896	-	-	29,896	-	29,896
Interfund receivable	103,910	-	-	103,910	(103,910)	-
Due from others	242,111	-	-	242,111	2,517,246	2,759,357
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	5,090,021	5,090,021
Construction in progress	-	-	-	-	125,990	125,990
Infrastructure	-	-	-	-	7,635,527	7,635,527
Total Assets	$ 824,166	$ 537,781	$ 168,491	$ 1,530,438	$ 15,264,874	$ 16,795,312
Liabilities						
Accounts payable	$ 610,127	$ -	$ 1,248	$ 611,375	$ -	$ 611,375
Accrued interest payable	-	-	-	-	39,798	39,798
Customer deposits	33,050	-	-	33,050	-	33,050
Interfund payable	-	103,910	-	103,910	(103,910)	-
Long-term liabilities, due after one year	-	-	-	-	29,378,877	29,378,877
Total Liabilities	643,177	103,910	1,248	748,335	29,314,765	30,063,100
Deferred Inflows of Resources						
Deferred property tax revenues	488,600	324,516	-	813,116	(1,826)	811,290
Fund Balances (Deficit)/Net Position						
Fund balances (deficit)						
Restricted						
Unlimited tax bonds	-	5,522	-	5,522	(5,522)	-
Unlimited tax road bonds	-	103,833	-	103,833	(103,833)	-
Water, sewer, and drainage	-	-	38,661	38,661	(38,661)	-
Roads	-	-	128,582	128,582	(128,582)	-
Unassigned	(307,611)	-	-	(307,611)	307,611	-
Total fund balances (deficit)	(307,611)	109,355	167,243	(31,013)	31,013	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	$ 824,166	$ 537,781	$ 168,491	$ 1,530,438		
Net position						
Net investment in capital assets					(3,900,741)	(3,900,741)
Restricted for capital projects					8,108	8,108
Unrestricted net position					(10,186,445)	(10,186,445)
Total net position					$ (14,079,078)	$ (14,079,078)

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 381,782	$ -	$ -	$ 381,782	$ 1,826	$ 383,608
Water service	272,951	-	-	272,951	-	272,951
Sewer service	141,906	-	-	141,906	-	141,906
Penalty and interest	4,318	7,043	-	11,361	-	11,361
Tap connection and inspection fees	109,285	-	-	109,285	-	109,285
Investment income	3,815	8,883	7,468	20,166	104,695	124,861
Other income	91,653	-	-	91,653	-	91,653
Total Revenues	1,005,710	15,926	7,468	1,029,104	106,521	1,135,625
Expenditures/Expenses						
Service operations						
Purchased services	508,710	-	-	508,710	88,311	597,021
Professional fees	145,249	-	-	145,249	157,560	302,809
Contracted services	115,579	13,198	-	128,777	523	129,300
Utilities	3,038	-	-	3,038	-	3,038
Repairs and maintenance	374,119	-	-	374,119	21,144	395,263
Other expenditures	47,512	4,806	85	52,403	-	52,403
Tap connections	100,128	-	-	100,128	-	100,128
Capital outlay	21,144	-	1,415,185	1,436,329	(1,436,329)	-
Conveyance of capital assets	-	-	-	-	11,704	11,704
Depreciation	-	-	-	-	216,188	216,188
Debt service						
Interest and fees	-	163,946	-	163,946	59,778	223,724
Debt issuance costs	-	-	168,371	168,371	-	168,371
Total Expenditures/Expenses	1,315,479	181,950	1,583,641	3,081,070	(881,121)	2,199,949
Deficiency of Revenues Over Expenditures	(309,769)	(166,024)	(1,576,173)	(2,051,966)	987,642	
Other Financing Sources (Uses)						
Interfund transfers in (out)	26,500	(25,870)	(630)	-	-	
Repayment of developer advances	-	-	(7,222)	(7,222)	7,222	
General obligation bonds issued	-	42,125	1,677,875	1,720,000	(1,720,000)	
Discount on debt issued	-	-	(51,600)	(51,600)	51,600	
Total Other Financing Sources	26,500	16,255	1,618,423	1,661,178	(1,661,178)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(283,269)	(149,769)	42,250	(390,788)	390,788	
Change in Net Position					(1,064,324)	(1,064,324)
Fund Balances (Deficit)/Net Position						
Beginning of year	(24,342)	259,124	124,993	359,775	-	(13,014,754)
End of year	$ (307,611)	$ 109,355	$ 167,243	$ (31,013)	$ -	$ (14,079,078)

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

Chambers County Municipal Utility District No. 3 (District) was created and is operating pursuant to a special act of the 86th Texas Legislature, now codified at Chapter 8042 of the Texas Special District Local Laws Code, effective June 14, 2019, in accordance with 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, drainage, park, road, and other 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 fund. 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.

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 fund 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 liability 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

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a 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 component of long-term liabilities 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 assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	$ 12,851,538
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	1,826
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(39,798)
Amounts due from other district are not receivable in the current period and are not reported in the fund financial statements.	2,517,246
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	(29,378,877)
Adjustment to fund balances to arrive at net position.	$ (14,048,065)

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 change in fund balances because:

Change in fund balances.	$ (390,788)
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 expense or conveyed to another governmental entity for ownership and maintenance. This is the amount by which capital outlay expenditures exceeded depreciation expense, conveyance of capital assets, and noncapitalized costs in the current period.	1,029,210
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	7,222

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.	$ 51,600
Governmental funds report proceeds from 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.	(1,720,000)
Revenues that do not provide current financial resources are not reported as revenues for the fund but are reported as revenues in the statement of activities.	106,521
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 the governmental funds.	(148,089)
Change in net position of governmental activities.	$ (1,064,324)

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. The 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 has the following investments and maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1–5	6–10	More Than 10
Texas CLASS	$ 318,827	$ 318,827	$ -	$ -	$ -

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 and statement of net position at December 31, 2025 as follows:

Carrying value	
Deposits	$ 140,387
Investments	318,827
Total	$ 459,214

Investment Income

Investment income of $124,861 for the year ended December 31, 2025 consisted of interest income.

Fair Value Measurements

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

- Pooled investments of $318,827 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital 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	$ 3,009,980	$ 2,080,041	$ 5,090,021
Construction in progress	116,698	9,292	125,990
Total capital assets, non-depreciable	3,126,678	2,089,333	5,216,011
Capital assets, depreciable			
Water production and distribution facilities	2,296,467	2,885	2,299,352
Wastewater collection and treatment facilities	5,879,121	5,595	5,884,716
Total capital assets, depreciable	8,175,588	8,480	8,184,068
Less accumulated depreciation			
Water production and distribution facilities	(106,193)	(51,099)	(157,292)
Wastewater collection and treatment facilities	(226,160)	(165,089)	(391,249)
Total accumulated depreciation	(332,353)	(216,188)	(548,541)
Total governmental activities, net	$ 10,969,913	$ 1,881,625	$ 12,851,538

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	$ 4,105,000	$ 1,720,000	$ -	$ 5,825,000	$ -
Less discounts on bonds	123,150	51,600	2,957	171,793	-
	3,981,850	1,668,400	(2,957)	5,653,207	-
Due to developers – construction	22,392,941	2,080,041	1,199,976	23,273,006	-
Due to developers – advances	459,886	-	7,222	452,664	-
Total governmental activities long-term liabilities	$ 26,834,677	$ 3,748,441	$ 1,204,241	$ 29,378,877	$ -

General Obligation Bonds

	Road Series 2024	Series 2025
Amounts outstanding, December 31, 2025	$4,105,000	$1,720,000
Interest rates	3.70% to 4.35%	4.25% to 6.75%
Maturity dates, serially beginning/ending	May 1, 2027/2050	May 1, 2027/2051
Interest payment dates	May 1/November 1	May 1/November 1
Callable dates*	May 1, 2031	May 1, 2032

* 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	$ -	$ 253,227	$ 253,227
2027	130,000	253,097	383,097
2028	130,000	247,195	377,195
2029	135,000	241,152	376,152
2030	145,000	234,698	379,698
2031–2035	850,000	1,062,555	1,912,555
2036–2040	1,095,000	856,397	1,951,397
2041–2045	1,405,000	590,135	1,995,135
2046–2050	1,815,000	236,488	2,051,488
2051	120,000	2,775	122,775
Total	$ 5,825,000	$ 3,977,719	$ 9,802,719

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

Bonds voted	
Water, sanitary sewer, and drainage facilities	$144,830,000
Road facilities	71,420,000
Bonds sold	
Water, sanitary sewer, and drainage facilities	1,720,000
Road facilities	4,105,000
Refunding bonds voted	
Water, sanitary sewer, and drainage facilities	43,449,000
Road facilities	21,426,000

Due to Developers – Construction

Developers within the District have constructed water, sewer, drainage, and road and paving facilities on behalf of the District. The District has agreed to reimburse the developers 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 $23,273,006. These amounts have been recorded in the financial statements as long-term liabilities.

Developer Advances

Since inception, the developers have advanced $452,664 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Note 5. Significant Bond Order and Commission Requirements

(A) The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2025, the District did not levy an ad valorem debt service tax. The interest requirements to be paid from available resources are $81,442.

(B) The Road Series 2024 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 tax rate of $0.60 per $100 of assessed valuation, which resulted in a tax levy of $324,516 on the taxable valuation of $54,085,957 for the 2025 tax year. The interest requirements to be paid from available resources are $171,785.

(C) In accordance with the Road Series 2024 and Series 2025 Bond Orders, a portion of the bond proceeds were 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	$	257,677
Additions – Interest appropriation from bond proceeds Series 2025		42,125
Deductions – Appropriation from bond interest paid Road Series 2024		163,196
Bond interest reserve, end of year	$	136,606

Note 6. Maintenance Taxes

At an election held May 2, 2020, 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 a rate of $0.90 per $100 of assessed valuation, which resulted in a tax levy of $486,773 on the taxable valuation of $54,085,957 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Contracts With the City of Baytown

Water Supply Agreement

Effective January 13, 2021, the District entered into a Water Supply Agreement (Water Agreement) with the City for a term of 30 years. Pursuant to the terms of the Water Agreement, the City will sell and deliver to 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. During the current year, the District recorded expenditures of $280,609.

Note 8. Risk Management

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

Note 9. Strategic Partnership Agreement

Effective January 13, 2021, the District and the City entered into a Strategic Partnership Agreement (Agreement) under which the City annexed a portion 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 continues until January 13, 2051, and shall be automatically extended for additional five-year terms unless either party gives notice of termination.

Note 10. Joint Facilities and Cost Sharing Agreement

Effective October 14, 2020, and as subsequently amended, the District and Chambers County Improvement 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. During the year ended December 31, 2023, the District advanced $4,170,614 to District No. 3 and construction of the plant has begun. As of December 31, 2025, the District has recorded a receivable for unused funds in the amount of $2,517,246. In addition, the District has recorded operating expenditures for the year ended December 31, 2025 in the amount of $228,101 which were paid out of the advanced funds.

Note 11. Contingencies

Developers of the District are constructing water, sewer, drainage, and road facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated current construction amounts are approximately $5,665,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 12. Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developers' ability to pay future property taxes.

Note 13. Deficit Fund Balance

At December 31, 2025, the District's general fund had a deficit fund balance of $307,611. The District anticipates that growth within the District will generate revenues sufficient to pay costs of operating the District.

Required Supplementary Information

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

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 418,400	$ 381,782	$ (36,618)
Water service	240,000	272,951	32,951
Sewer service	90,000	141,906	51,906
Penalty and interest	3,000	4,318	1,318
Tap connection and inspection fees	116,000	109,285	(6,715)
Investment income	3,000	3,815	815
Other income	-	91,653	91,653
Total Revenues	870,400	1,005,710	135,310
Expenditures			
Service operations			
Purchased services	200,000	508,710	(308,710)
Professional fees	152,100	145,249	6,851
Contracted services	90,100	115,579	(25,479)
Utilities	10,800	3,038	7,762
Repairs and maintenance	136,800	374,119	(237,319)
Other expenditures	57,000	47,512	9,488
Tap connections	78,400	100,128	(21,728)
Capital outlay	-	21,144	(21,144)
Total Expenditures	725,200	1,315,479	(590,279)
Excess (Deficiency) of Revenues Over Expenditures	145,200	(309,769)	(454,969)
Other Financing Sources			
Interfund transfers in	-	26,500	26,500
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	145,200	(283,269)	(428,469)
Fund Balance (Deficit), Beginning of Year	(24,342)	(24,342)	-
Fund Balance (Deficit), End of Year	$ 120,858	$ (307,611)	$ (428,469)

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2025.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents 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 Municipal Utility 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 10–21

[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] Schedule 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 Municipal Utility District No. 3
Schedule of Services and Rates
Year Ended December 31, 2025

1. Services to be provided by the District

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
___ Parks/Recreation	X Fire Protection	___ Security
X 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:	$ 25.00	-	N	$ 5.51	1 to 2,000
				$ 12.42	2,001 to 6,000
				$ 17.13	6,001 to No Limit
Wastewater:	$ 66.07	1,000	Y		

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

Total charges per 10,000 gallons usage (including fees): Water $ 154.22 Wastewater $ 66.07

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	215	215	x1.0	215
1"	1	1	x2.5	3
1 1/2"	1	1	x5.0	5
2"	5	5	x8.0	40
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	1	1	x115.0	115
Total water	223	223		378
Total wastewater	216	216	x1.0	216

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

Gallons pumped into the system:	20,043
Gallons billed to customers:	20,043
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

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

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 19,000	
Legal	72,142	
Engineering	54,107	
Financial advisor	-	145,249
Purchased Services for Resale		
Bulk water and wastewater service purchases		508,710
Regional Water Fee		-
Contracted Services		
Bookkeeping	50,222	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	16,375	66,597
Utilities		3,038
Repairs and Maintenance		374,119
Administrative Expenditures		
Directors' fees	9,724	
Office supplies	5,740	
Insurance	13,648	
Other administrative expenditures	18,400	47,512
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	21,144	21,144
Tap Connection Expenditures		100,128
Solid Waste Disposal		48,982
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total Expenditures		$ 1,315,479

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

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	3.93%	Demand	$ 4,610	$ -
Debt Service Fund				
Texas CLASS	3.93%	Demand	103,833	-
Texas CLASS	3.93%	Demand	42,353	-
			146,186	-
Capital Projects Fund				
Texas CLASS	3.93%	Demand	128,582	-
Texas CLASS	3.93%	Demand	39,449	-
			168,031	-
Totals			$ 318,827	$ -

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

		Maintenance Taxes	Road Debt Service Taxes
Receivable, Beginning of Year		$ 209,232	$ -
Additions and corrections to prior years' taxes		(16,552)	-
Adjusted Receivable, Beginning of Year		192,680	-
2025 Original Tax Levy		484,754	323,170
Additions and corrections		2,020	1,346
Adjusted Tax Levy		486,774	324,516
Total to Be Accounted For		679,454	324,516
Tax collections:	Current year	(70,685)	(47,124)
	Prior year	(190,854)	-
Receivable, End of Year		$ 417,915	$ 277,392
Receivable, by Years			
2025		$ 416,089	$ 277,392
2024		1,826	-
Receivable, End of Year		$ 417,915	$ 277,392

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

	2025	2024	2023	2022
Tax Rates per $100 Valuation				
Land	$ 38,419,900	$ 19,954,990	$ 20,166,190	$ 17,563,450
Improvements	33,116,320	11,698,040	305,460	-
Personal property	260,207	86,286	88,340	10,604
Exemptions	(17,710,470)	(5,061,940)	(4,890,740)	(4,890,000)
Total Property Valuations	$ 54,085,957	$ 26,677,376	$ 15,669,250	$ 12,684,054
Tax Rates per $100 Valuation				
Road debt service tax rates	$ 0.6000	$ -	$ -	$ -
Maintenance tax rates*	0.9000	1.5000	1.5000	1.5000
Tax Rates per $100 Valuation	$ 1.5000	$ 1.5000	$ 1.5000	$ 1.5000
Tax Levy	$ 811,290	$ 400,161	$ 235,041	$ 190,261
Percent of Taxes Collected to Taxes Levied**	15%	99%	100%	100%

*Maximum tax rate approved by voters: $1.50 on May 2, 2020

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

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

Due During Fiscal Years Ending December 31	Road Series 2024		
	Principal Due May 1	Interest Due May 1, November 1	Total
2026	$ -	$ 171,785	$ 171,785
2027	95,000	170,028	265,028
2028	95,000	166,489	261,489
2029	100,000	162,808	262,808
2030	105,000	158,886	263,886
2031	110,000	154,720	264,720
2032	120,000	150,205	270,205
2033	125,000	145,335	270,335
2034	130,000	140,235	270,235
2035	135,000	134,935	269,935
2036	145,000	129,263	274,263
2037	150,000	123,178	273,178
2038	160,000	116,705	276,705
2039	165,000	109,880	274,880
2040	175,000	102,740	277,740
2041	185,000	95,180	280,180
2042	190,000	87,305	277,305
2043	200,000	79,015	279,015
2044	210,000	70,200	280,200
2045	220,000	60,900	280,900
2046	235,000	51,004	286,004
2047	245,000	40,563	285,563
2048	255,000	29,688	284,688
2049	270,000	18,270	288,270
2050	285,000	6,198	291,198
Totals	$ 4,105,000	$ 2,675,515	$ 6,780,515

Chambers County Municipal Utility 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 May 1	Interest Due May 1, November 1	Total
2026	$ -	$ 81,442	$ 81,442
2027	35,000	83,069	118,069
2028	35,000	80,706	115,706
2029	35,000	78,344	113,344
2030	40,000	75,812	115,812
2031	40,000	73,113	113,113
2032	45,000	70,244	115,244
2033	45,000	67,206	112,206
2034	50,000	64,437	114,437
2035	50,000	62,125	112,125
2036	55,000	59,894	114,894
2037	55,000	57,556	112,556
2038	60,000	55,112	115,112
2039	65,000	52,456	117,456
2040	65,000	49,613	114,613
2041	70,000	46,575	116,575
2042	75,000	43,313	118,313
2043	80,000	39,775	119,775
2044	85,000	35,959	120,959
2045	90,000	31,913	121,913
2046	95,000	27,634	122,634
2047	100,000	23,125	123,125
2048	105,000	18,384	123,384
2049	110,000	13,413	123,413
2050	115,000	8,209	123,209
2051	120,000	2,775	122,775
Totals	$ 1,720,000	$ 1,302,204	$ 3,022,204

Chambers County Municipal Utility 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	$ -	$ 253,227	$ 253,227
2027	130,000	253,097	383,097
2028	130,000	247,195	377,195
2029	135,000	241,152	376,152
2030	145,000	234,698	379,698
2031	150,000	227,833	377,833
2032	165,000	220,449	385,449
2033	170,000	212,541	382,541
2034	180,000	204,672	384,672
2035	185,000	197,060	382,060
2036	200,000	189,157	389,157
2037	205,000	180,734	385,734
2038	220,000	171,817	391,817
2039	230,000	162,336	392,336
2040	240,000	152,353	392,353
2041	255,000	141,755	396,755
2042	265,000	130,618	395,618
2043	280,000	118,790	398,790
2044	295,000	106,159	401,159
2045	310,000	92,813	402,813
2046	330,000	78,638	408,638
2047	345,000	63,688	408,688
2048	360,000	48,072	408,072
2049	380,000	31,683	411,683
2050	400,000	14,407	414,407
2051	120,000	2,775	122,775
Totals	$ 5,825,000	$ 3,977,719	$ 9,802,719

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

	Bond Issues		
	Road Series 2024	Series 2025	Totals
Interest rates	3.70% to 4.35%	4.25% to 6.75%	
Dates interest payable	May 1/ November 1	May 1/ November 1	
Maturity dates	May 1, 2027/2050	May 1, 2027/2051	
Bonds outstanding, beginning of current year	$ 4,105,000	$ -	$ 4,105,000
Bonds sold during the current year	-	1,720,000	1,720,000
Retirements, principal	-	-	-
Bonds outstanding, end of current year	$ 4,105,000	$ 1,720,000	$ 5,825,000
Interest paid during the current year	$ 163,196	$ -	$ 163,196

Paying agent's name and address

Series 2024 Road – 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	$ 144,830,000	$ 71,420,000	$ 64,875,000
Amount issued	$ 1,720,000	$ 4,105,000	$ -
Remaining to be issued	$ 143,110,000	$ 67,315,000	$ 64,875,000

Debt service fund cash and temporary investment balances as of December 31, 2025:	$ 260,389
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 377,028

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

	Amounts			
	2025	2024	2023	2022
General Fund				
Revenues				
Property taxes	$ 381,782	$ 235,041	$ 174,458	$ 59,960
Water service	272,951	141,018	47,720	-
Sewer service	141,906	73,356	12,522	-
Penalty and interest	4,318	4,595	9,045	5,044
Tap connection and inspection fees	109,285	155,226	75,865	-
Sale of capacity	-	-	32,610	-
Investment income	3,815	1,888	4,458	595
Other income	91,653	-	-	288
Total Revenues	1,005,710	611,124	356,678	65,887
Expenditures				
Service operations				
Purchased services	508,710	170,823	69,549	-
Professional fees	145,249	141,196	85,003	77,797
Contracted services	115,579	83,051	47,739	29,521
Utilities	3,038	1,637	-	-
Repairs and maintenance	374,119	152,913	17,342	-
Other expenditures	47,512	55,934	45,249	31,235
Tap connections	100,128	186,366	41,645	-
Capital outlay	21,144	-	2,384,438	1,786,176
Purchase of capacity	-	-	32,610	-
Total Expenditures	1,315,479	791,920	2,723,575	1,924,729
Deficiency of Revenues Over Expenditures	(309,769)	(180,796)	(2,366,897)	(1,858,842)
Other Financing Sources				
Interfund transfers in	26,500	-	-	-
Developer advances received	-	-	2,518,698	1,886,676
Total Other Financing Sources	26,500	-	2,518,698	1,886,676
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(283,269)	(180,796)	151,801	27,834
Fund Balance (Deficit), Beginning of Year	(24,342)	156,454	4,653	(23,181)
Fund Balance (Deficit), End of Year	$ (307,611)	$ (24,342)	$ 156,454	$ 4,653
Total Active Retail Water Connections	223	153	46	N/A
Total Active Retail Wastewater Connections	216	149	42	N/A

Percent of Fund Total Revenues			
2025	2024	2023	2022
38.0 %	38.5 %	48.9 %	91.0 %
27.1	23.1	13.4	-
14.1	12.0	3.5	-
0.4	0.7	2.5	7.7
10.9	25.4	21.3	-
-	-	9.1	-
0.4	0.3	1.3	0.9
9.1	-	-	0.4
100.0	100.0	100.0	100.0
50.6	28.0	19.5	-
14.4	23.1	23.8	118.1
11.5	13.6	13.4	44.8
0.3	0.3	-	-
37.2	25.0	4.8	-
4.7	9.1	12.7	47.4
10.0	30.5	11.7	-
2.1	-	668.5	2,711.0
-	-	9.2	-
130.8	129.6	763.6	2,921.3
(30.8) %	(29.6) %	(663.6) %	(2,821.3) %

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

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
Debt Service Fund				
Revenues				
Penalty and interest	$ 7,043	$ -	44.2 %	-
Investment income	8,883	1,447	55.8	100.0
Total Revenues	15,926	1,447	100.0	100.0
Expenditures				
Current				
Contracted services	13,198	-	82.9	-
Other expenditures	4,806	-	30.2	-
Debt service, interest and fees	163,946	-	1,029.4	-
Total Expenditures	181,950	-	1,142.5	0.0
Excess (Deficiency) of Revenues Over Expenditures	(166,024)	1,447	(1,042.5) %	100.0
Other Financing Sources (Uses)				
Interfund transfers out	(25,870)	-		
General obligation bonds issued	42,125	257,677		
Total Other Financing Sources	16,255	257,677		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(149,769)	259,124		
Fund Balance, Beginning of Year	259,124	-		
Fund Balance, End of Year	$ 109,355	$ 259,124		

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

Complete District mailing address:	Chambers County Municipal Utility 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):		January 8, 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
Adam Kupstas	Elected 05/22–05/26	$ 1,768	$ 336	President
Ronald Leschak	Elected 05/24–05/28	3,536	308	Vice President
Leah Coale	Elected 05/24–05/28	1,989	378	Secretary
Julie Davids	Elected 05/24–05/28	2,210	538	Assistant Secretary
Rebecca Holt	Appointed 12/25–05/26	221	-	Assistant Secretary
Jay Mac Sanders	Elected 05/22–01/25	-	-	Resigned

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

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

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Chambers County Appraisal District	Legislative Action	$ 4,098	Appraiser
Forvis Mazars, LLP	12/14/22	31,300	Auditor
Masterson Advisors LLC	11/11/20	39,734	Financial Advisor
Municipal Accounts & Consulting, L.P.	02/04/20	58,316	Bookkeeper
Municipal District Services, L.L.C.	06/09/21	507,360	Operator
Quiddity Engineering, LLC	02/04/20	104,658	Engineer
Schwartz, Page & Harding, L.L.P.	02/04/20	53,000 83,586	Bond Counsel General Counsel
Ted A. Cox, P.C.	02/09/22	-	Delinquent Tax Attorney
Utility Tax Services	08/11/21	13,451	Tax Assessor/ Collector
Investment Officers			
Mark Burton and Ghia Lewis	04/30/20	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

SPECIMEN

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100

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