This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2026

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT WILL **NOT** DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

$37,500,000
CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
(Formerly Chambers County Improvement District No. 1)
(A political subdivision of the State of Texas located within Chambers County)
UNLIMITED TAX BONDS
SERIES 2026

Dated Date: November 1, 2026 **Due: March 1, as shown below**
Interest Accrual Date: Date of Delivery

The bonds described above (the "Bonds") will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or earlier redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest accrues initially from the initial date of delivery (expected to be on or about November 12, 2026) (the "Date of Delivery"), and is payable March 1, 2027, and each September 1 and March 1 thereafter on the basis of a 360-day year of twelve 30-day months until the earlier of maturity or redemption. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered 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 of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITY SCHEDULE

Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)	Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)
2029	$ 550,000				2043	$ 1,585,000 (b)			
2030	550,000				2044	1,585,000 (b)			
2031	555,000				2045	1,585,000 (b)			
2032	555,000				2046	1,585,000 (b)			
2033	555,000 (b)				2047	1,585,000 (b)			
2034	1,425,000 (b)				2048	1,585,000 (b)			
2035	1,425,000 (b)				2049	1,640,000 (b)			
2036	1,425,000 (b)				2050	1,660,000 (b)			
2037	1,425,000 (b)				2051	1,660,000 (b)			
2038	1,585,000 (b)				2052	1,660,000 (b)			
2039	1,585,000 (b)				2053	1,660,000 (b)			
2040	1,585,000 (b)				2054	1,660,000 (b)			
2041	1,585,000 (b)				2055	1,660,000 (b)			
2042	1,585,000 (b)								

(a) The Underwriter (as defined herein) may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
(b) Bonds maturing on or after March 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 March 1, 2032, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. 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 Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(d) Initial reoffering yield represents the initial reoffering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

The Bonds, when issued, will constitute valid and legally binding obligations of Cedar Port Navigation and Improvement District (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located 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. The Bonds are subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about November 12, 2026.

Bids Due: Wednesday, October 14, 2026 at 11:00 A.M., Houston Time in Houston, Texas
Bid Award: Wednesday, October 14, 2026 at 1:00 P.M., Houston Time in Baytown, Texas

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APPENDIX A—Financial Statement of the District for the fiscal year ended December 31, 2025

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or 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, resolutions, 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 Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created as Chambers County Improvement District No. 1 in 1993 by special act of the Texas Legislature, Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended, codified in Texas Special District Local Laws Code, Chapter 3854 (the "Act") and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. In an order dated December 14, 2022, the Texas Commission on Environmental Quality (the "TCEQ"), pursuant to a request by the District, granted permission to the District to change its name to Cedar Port Navigation and Improvement District. The District consists of approximately 14,401 acres of land, all of which is located within the boundaries of the approximate 15,000 acres TGS Cedar Port Industrial Park as described herein. The District has the powers, among others, of municipal management districts, navigation districts, road utility districts, rural rail transportation districts and municipal utility districts created pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution. See "THE DISTRICT—General."

Location...

The District is located approximately 20 miles east of the central downtown business district of the City of Houston, approximately three miles southeast of the downtown central business district of the City of Baytown and along the northeast shore of Galveston Bay. Access to the District from the City of Houston is provided by Interstate Highway 10 east to SH 99 (Grand Parkway) south. A portion of the District is located within the boundaries of Goose Creek Consolidated Independent School District and the balance of the District is located within the boundaries of Barbers Hill Independent School District. The District is located within the extraterritorial jurisdiction of the City of Baytown. See "THE DISTRICT—Description and Location" and "AERIAL LOCATION MAP."

The Developer and Principal Property Owners…

The principal developer of land in the District is TGS Cedar Port Partners, L.P. ("TGS Cedar Port" or the "Developer"), a Texas limited partnership whose general partner is TGS Cedar Port GP, LLC, a Texas limited liability company. TGS Cedar Port is an affiliate of Trans-Global Solutions, Inc., a provider of transportation, comprehensive railroad and heavy civil construction services. TGS Cedar Port owns an aggregate of approximately 9,089 acres of developable land in the District for development of the TGS Cedar Port Industrial Park.

See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS," "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

Principal Taxpayers…

Based on the 2026 Certified Taxable Assessed Valuation of $3,529,825,967, the ten largest property owners are responsible for payment of approximately 36.96% of the District's 2026 taxes. The principal taxpayer is Wal-Mart Stores Inc. representing $263,763,119 or 7.47% of the 2026 Certified Taxable Assessed Valuation of $3,529,825,967. See "TAX DATA—Principal Taxpayers," and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers" and "—Dependence on Personal Property Tax Collections."

Land Use and Status of Development...

Development in the District consists of the TGS Cedar Port Industrial Park, a master planned rail- and barge-served industrial park. All of the land in the District is within the TGS Cedar Port Industrial Park. Existing development in the District consists of warehouse, distribution, mill, manufacturing and construction facilities totaling approximately 27,117,000 square feet on approximately 3,266 acres. Additionally, construction is underway on approximately 120 acres for development of manufacturing and recycling facilities. These facilities also include retail distribution warehouses and chemical plants in the lithium electrolyte industry. See "THE DISTRICT—Land Use and Status of Development."

Additionally, the District has constructed a 600 foot barge dock. The dock is served by a heavy haul road partially funded by Chambers County. The District manages the dock and collects revenue associated with its operation. See "THE SYSTEM—District Operations."

Property in the District is served by TGS Cedar Port Railroad, a Class III railroad with access to both Union Pacific and Burlington Northern Santa Fe railroad networks with one hundred and seven (107) miles of operating track currently within the District. To date, the rail lines serve approximately 3,000 acres of developed and undeveloped property.

The District also includes approximately 9,089 developable acres, of which approximately fifteen to twenty percent are served by trunkline water distribution and wastewater collection facilities for future development. There are also approximately 1,926 acres of undevelopable acreage (easements, rights-of-way, floodplain, detention basins and railroads) in the District. See "THE DISTRICT—Land Use and Status of Development."

Payment Record... The District has previously issued a total of $364,130,000 principal amount of unlimited tax bonds in fifteen series, $16,220,000 principal amount of unlimited tax and revenue bonds in three series, and $44,045,000 principal amount of unlimited tax refunding bonds in six series. The District has $313,620,000 principal amount of such bonds outstanding (the "Outstanding Bonds") as of the date hereof. The District has never defaulted in the payment of principal of and interest on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

THE BONDS

Description... Cedar Port Navigation and Improvement District's Unlimited Tax Bonds, Series 2026 in the aggregate principal amount of $37,500,000 (the "Bonds") will be issued as fully registered bonds maturing on March 1 in each of the years 2029 through 2055, both inclusive, in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from the Date of Delivery at the rates per annum set forth on the cover page hereof, and is payable March 1, 2027, and each September 1 and March 1 thereafter 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 pursuant to an order authorizing the issuance of the Bonds adopted by the Board (the "Bond Order"). See "THE BONDS—Description."

Redemption... Bonds maturing on or after March 1, 2033 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Book-Entry-Only System… The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds... Proceeds of the Bonds will be used to pay the construction and engineering costs shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to pay interest to TGS Cedar Port on certain funds advanced on behalf of the District, administrative costs, and certain other costs of issuance and engineering fees related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance...	The Bonds are issued pursuant to Article XVI Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), a bond election held in the District, an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") and by special act of the Texas Legislature, Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended, codified in Texas Special District Local Laws Code, Chapter 3854 (the "Act"). The TCEQ has approved the sale of $47,370,000 principal amount of bonds. The Bonds represent a portion of such TCEQ authorization. The District has not determined if or when the remaining amount approved by the TCEQ authorization will be issued. See "THE BONDS—Authority for Issuance."
Source of Payment...	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Baytown, Chambers County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
Municipal Bond Rating and Municipal Bond Insurance...	Moody's Investors Service ("Moody's") has assigned a credit rating of "A2" on the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody's will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Underwriter. Application has also been made for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
Not Qualified Tax-Exempt Obligations...	The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions."
Bond Counsel…	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
Financial Advisor…	Masterson Advisors LLC, Houston, Texas.
Disclosure Counsel…	McCall, Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations 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 "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Certified Taxable Assessed Valuation	$3,529,825,967	(a)
Gross Direct Long-Term Debt Outstanding (the Bonds and the Outstanding Bonds)	$351,120,000	(b)
Estimated Overlapping Debt	242,157,811	(c)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$593,277,811	
Ratio of Gross Direct Long-Term Debt to:		
2026 Certified Taxable Assessed Valuation	9.95%	
Ratio of Gross Direct Long-Term Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	16.81%	
Water, Sewer and Drainage Debt Service Funds Available as of September 9, 2026	$11,229,692	
Road Bonds Debt Service Funds Available as of September 9, 2026	3,256,102	
Total Debt Service Funds Available	$14,485,794	(d)
Funds Available for Operation and Maintenance as of September 9, 2026	$ 4,668,608	
Funds Available for Water, Sewer and Drainage Capital Projects as of September 9, 2026	$12,888,048	
Funds Available for Road Capital Projects as of September 9, 2026	$ 3,605,026	
Funds Available for Terminal Operating Fund as of September 9, 2026	$ 4,702,668	(e)
2026 Debt Service Tax Rate	$0.69	(f)
2026 Maintenance Tax Rate	0.03	
2026 Total Tax Rate	$0.72	
Projected Average Annual Debt Service Requirement (2027-2055)	$18,925,262	(g)
Projected Maximum Annual Debt Service Requirement (2029)	$26,505,790	(g)
Tax Rate Required to Pay Average Annual Debt Service (2027-2055) at a 95% Collection Rate Based upon 2026 Certified Taxable Assessed Valuation	$0.57	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2029) at a 95% Collection Rate Based upon 2026 Certified Taxable Assessed Valuation	$0.80	(h)

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

(b) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

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

(d) 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 bonds sold for water, sewer and drainage facilities (the "Water, Sewer and Drainage Bonds") including the Bonds, and a portion will be allocated to bonds sold for road facilities (the "Road Bonds"). See " THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage Bonds, including the Bonds, and the Water, Sewer and Drainage Debt Service Fund is not pledged to the Road Bonds.

(e) The Terminal Operating Fund is included in the General Operating Fund in the District's audited financial statements. See "THE SYSTEM—District Operations."

(f) Of such $0.69 debt service tax rate, $0.53 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater and storm drainage facilities and $0.16 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for roads and improvements in aid thereof. See "TAX DATA—Historical Tax Rate Distribution."

(g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(h) See "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."

PRELIMINARY OFFICIAL STATEMENT

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT

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

$37,500,000

UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Cedar Port Navigation and Improvement District (the "District") of its $37,500,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, special act of the Texas Legislature, Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended, codified in the Texas Special District Local Laws Code, Chapter 3854 (the "Act"), an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an election held within the District, and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, TGS Cedar Port Partners, L.P., and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

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, which 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.

The Bonds are dated November 1, 2026. Interest will accrue from the Date of Delivery with interest payable each March 1 and September 1 (each an "Interest Payment Date"), beginning March 1, 2027, and mature on the dates and in the amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Use of Certain Terms in Other Sections of this Official Statement

In reading this OFFICIAL STATEMENT it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this OFFICIAL STATEMENT to registered owners should be read to include the person for which the Participant acquires an interest in the bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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.

Source of Payment

The Bonds, when issued, together with the Outstanding Bonds and any additional unlimited tax bonds issued hereafter, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Water, Sewer and Drainage Debt Service Fund ("WS&D Debt Service Fund") (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Water, Sewer and Drainage Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

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

Funds

In the Bond Order, the WS&D Debt Service Fund is confirmed. The WS&D Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Water, Sewer and Drainage Bonds and any of the District's duly authorized additional bonds issued to finance water, sewer and drainage facilities, together with interest thereon, as such becomes due. Amounts on depositin the WS&D Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds.

The District maintains a Road Debt Service Fund ("Road Debt Service Fund") that is available for payment of debt service on bonds issued for road facilities. It is not available to pay principal or interest on bonds issued for water, sewer and drainage facilities, such as the Bonds.

The proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Water, Sewer & Drainage Capital Projects Fund to be used for the purpose of acquiring and constructing water, sewer and drainage facilities, paying interest to the Developer on certain funds advanced on behalf of the District and paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of bond proceeds.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system, the barge dock and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the wastewater and storm drainage systems and expenses related to the barge dock. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2033, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of $5,000 on March 1, 2032, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At elections held within the District on February 7, 2004, May 12, 2012, May 7, 2016, and May 7, 2022, the voters of the District authorized the issuance of $5,389,381,140 principal amount of unlimited tax bonds for the purposes set forth in the Act, including the preservation, maintenance, and enhancement of the economic health and vitality of the TGS Cedar Port Industrial Park as a business and industrial center and for the refunding of such bonds. The Bonds are issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The TCEQ has approved the sale of $47,370,000 principal amount of bonds. The Bonds represent a portion of such TCEQ authorization. The District has not determined if or when the remaining amount approved by the TCEQ authorization will be issued. The TCEQ's approval of the Bonds is subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued pursuant to Article XVI Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, the Act, the Bond Order, and an order of the TCEQ. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT. See "LEGAL MATTERS—Legal Opinion."

Issuance of Additional Debt

Voters within the District have authorized the issuance of $5,389,381,140 principal amount of unlimited tax bonds for the purposes set forth in the Act, including the preservation, maintenance, and enhancement of the economic health and vitality of the TGS Cedar Port Industrial Park as a business and industrial center. After issuance of the Bonds, the District will have $4,970,021,140 principal amount of unlimited tax bonds authorized but unissued for the purposes authorized by the Act and the refunding of such bonds. The Bonds represent a portion of the $47,370,000 principal amount of bonds approved by the TCEQ. Such approval expires September 17, 2027, unless an extension is requested and granted by the TCEQ. Purposes for which the District could issue bonds include the acquisition, construction and maintenance of water, sewer and drainage projects, the acquisition, construction, operation and maintenance of road and related improvements, the acquisition, construction, operation and maintenance of rail transportation projects, and the acquisition, construction, operation and maintenance of wharves, docks, warehouses, grain elevators and other facilities authorized by the Act. The District has also reserved the right to issue revenue bonds payable from the net revenues of the barge terminal or any other projects, special project bonds, inferior lien bonds and other evidences of indebtedness.

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. See "INVESTMENT CONSIDERATIONS—Future Debt."

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds.

Annexation

The Act provides that a municipality in whose extraterritorial jurisdiction the District is located may annex all or part of the property within District. Such an annexation would not result in a total or partial dissolution of the District or an assumption by the annexing municipality of any of the District's obligations or indebtedness. A municipal annexation of all or part of the property within District has no effect on the validity of the District and the District shall continue to exist and exercise the powers granted by the Act. However, if a municipality were to annex all or part of the property within District, such municipality's ad valorem property tax would apply to property in the District. The addition of such municipality's property tax may serve as a disincentive to the continued ownership, operation or development of property in the District. The District is currently not aware of any attempts by the City of Baytown, Texas (in whose extraterritorial jurisdiction the District is located) or any other municipality to annex any property in the District.

The District is located in the extraterritorial jurisdiction of the City of Baytown, Texas (the "City"). Pursuant to the Texas Local Government Code, the City has created three "industrial districts," one of which includes the property within the District. Pursuant to the Texas Local Government Code, the City has entered into "industrial district agreements" with all industrial property owners within the District, including Wal-Mart Stores East LP, Home Depot, Saw Pipes USA, SEAPAC, Ecolochem, Inc., and JSW Streel USA. Under such agreements, the City agreed to not annex the respective industrial properties and the property owners agreed to make a payment in lieu of taxes to the City. See "THE DISTRICT—District Operations." The current policy of the City is to enter into such agreements for a term of seven years and to renew such agreements upon expiration if the property owner is willing. Subject to the expiration of existing agreements, the City may change its policy at any time and the District makes no representation as to whether the City will continue its industrial district policy in the future or as to how the City's industrial district policy may change in the future.

Dissolution

This District may be dissolved by majority vote of the Board of Directors or upon petition of landowners holding title to at least seventy-five percent (75%) of the assessed value of property or the surface area in the District, excluding roads, streets, highways and utility rights-of-way; provided, however, if the District is dissolved, the Act provides that the District shall remain in existence solely for the limited purpose of discharging its bonds, including the Bonds, or other obligations according to their terms.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued 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. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

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.

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 as follows: (i) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (ii) 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 (iii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the 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, (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 the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

No Arbitrage

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at .com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used for water, sewer and drainage facilities construction costs as 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 the Engineers (defined herein) 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 review by an independent auditor. 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.

I.	**CONSTRUCTION COSTS**		
	Tract 7B - Drainage	$	1,872,482
	Tract 7B - Utilities		1,431,280
	Tract 2B - Drainage, Phase 3		2,023,995
	Tract 2B - Utilities, Phase 3		680,241
	Tract 2B - Drainage, Phase 2		702,181
	Tract 7C - Drainage, Phase 1		5,047,632
	USX6		47,208
	Engineering		972,974
	Land Acquisition		20,900,000
	Total Construction Costs	**$**	**33,677,994**
II.	**NON-CONSTRUCTION COSTS**		
	Bond Discount (Estimated at 3.0%) (a)	$	1,125,000
	Developer Interest		1,316,751
	Total Non-Construction Costs	**$**	**2,441,751**
II.	**ISSUANCE COSTS AND FEES**		
	Issuance Costs and Professional Fees	$	1,177,005
	Bond Aplication Report		100,000
	Regulatory Fees		103,250
	Total Non-Construction Costs	**$**	**1,380,255**
	TOTAL BOND ISSUE	**$**	**37,500,000**

(a) The TCEQ approved a maximum Bond discount of 3.00%.

THE DISTRICT

General

The District is a political subdivision of the State of Texas located in Chambers County and was created in 1993 by special act of the 73rd Texas Legislature. The District contains approximately 14,401 acres of land, all of which is located within the boundaries of the approximate 15,000 acre TGS Cedar Port Industrial Park. The District has the powers, among others, of municipal management districts, road utility districts, navigation districts, rural rail transportation districts and municipal utility districts created pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution.

The legislation which created the District (Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended, codified in Texas Special District Local Laws Code, Chapter 3854) (the "Act") provides a combination of various authorities and powers so that the District can conduct a broad range of functions related to diversification of the economy of the State of Texas, promotion, development and expansion of employment, commerce, economic development and the public welfare, promotion of the control, treatment, storage and distribution of water, protecting, preserving and restoring the sanitary condition of water, promoting the transportation of agricultural, industrial and commercial products, promoting the health, safety and general welfare of property owners, residents, employers and employees in the District, promoting the improvement of rivers, bays, creeks, streams and canals to permit or to aid navigation and commerce, and promoting the construction, maintenance and operations of streets, roads, highways, turnpikes and railroads in the area of the District.

Description and Location

The District consists of approximately 14,401 acres of land located approximately 20 miles east of the central downtown business district of the City of Houston, approximately three miles southeast of the downtown central business district of the City of Baytown and along the northeast shore of Galveston Bay. Access to the District is provided by Interstate Highway 10 east to SH 99 (Grand Parkway) south. A portion of the District is located within the boundaries of Goose Creek Consolidated Independent School District and the balance of the District is located within the boundaries of Barbers Hill Independent School District. The District is located within the extraterritorial jurisdiction of the City of Baytown. See "AERIAL LOCATION MAP."

Land Use and Status of Development

Development in the District consists of the TGS Cedar Port Industrial Park, a master planned rail- and barge-served industrial park. All of the land in the District is within the TGS Cedar Port Industrial Park. Existing development in the District consists of warehouse, distribution, mill, manufacturing and construction facilities totaling approximately 27,117,000 square feet on approximately 3,266 acres. Additionally, construction is underway on approximately 120 acres for manufacturing and recycling facilities. These facilities also include retail distribution warehouses and chemical plants in the lithium electrolyte industry.

Owner, Developer, or Lessee	Land Use	Acreage	Square Feet (in Thousands)
Walmart (a)	Distribution	505	4,200
Borusan Mannesmann (a)	Pipe Mill (rail served)	133	330
IKEA	Distribution (rail served)	80	1,000
Home Depot (a)	Distribution	40	800
Ravago Americas	Distribution and Manufacturing	200	950
Reich Brothers	Various Distribution (rail served)	47	1,216
JSW Steel (a)	Steel Mill (rail served)	391	3,000
Tenaris Steel	Manufacturing	69	242
Curtis Wright Flow Control/TapcoEnpro	Manufacturing	123	158
West Bay 511 LLC	Warehouse	130	312
Vinmar	Warehouse (rail served)	40	500
Artis REIT	Distribution (rail served)	50	500
Plastic Bagging and Packaging	Warehouse (rail served)	25	318
Webstaurant Store	Warehouse (rail served)	40	650
Walmart (a)	Warehouse (rail served)	56	1,021
MSI Tiles	Warehouse (rail served)	25	350
Exeter	Warehouse (rail served)	25	350
Pro Citrus Network	Warehouse	8	75
CCZJV - LNG Project	Construction	138	210
Bechtel	Construction	115	-
Harcros Chemical	Manufacturing (rail served)	14	114
Locus Construction (NIT Industrial)	Warehouse	13	200
W8 Shipping	Warehouse	17	200
Floor & Décor (a)	Warehouse	100	1,500
Welcome Land Development	Warehouse	20	44
Americold	Warehouse	36	300
Capital Development Partners (Plastic Express as tenant)	Warehouse (rail served)	45	874
Niagara Bottling	Warehouse	43	600
Realty Link	Warehouse	27	200
TGSCP 4407 Grand Parkway LLC (Constellation Brands as tenant)	Warehouse	47	496
TGSCP 6944 Nita Way LLC (Talke North America as tenant)	Warehouse	15	150
TGSCP 7505 Fisher Rd LLC (Tesla as tenant)	Warehouse	75	1,200
Cargill	Warehouse	30	500
Brown Strauss	Distribution	38	150
NFI Transportation	Warehouse	40	160
Dayton Street Partners	Warehouse	47	160
Other Business (b)	(b)	139	46
BG Capital	Warehouse	30	200
Capital Development Partners	Warehouse (rail served)	45	874
TGSCO 6363 LLC (Home Depot as tenant) (a)	Warehouse	73	1,212
Sumika Semiconductor Texas (a)	Manufacturing	45	75
Tinci Materials (c)	Manufacturing	95	-
TGS CP McKinney, LLC	Warehouse	45	840
R.J. Brands, LLC	Warehouse	21	420
TGSCP 5300 E Mckinney Rd, LLC (Supply Chain Management as tenant).	Warehouse	21	420
Abundia Global Impact (d)	Recycling Facility	25	25
Subtotal		3,386	27,142
Future Development		9,089	---
Non-Developable (e)		1,926	---
Total		14,401	27,142

(a) See "TAX DATA—Principal Taxpayers."

(b) Other businesses in the District include Fisher Road Warehouses, Century Asphalt, American Port Services, U.S. Filter, G.E. Water, DAMCO Distribution Services, SAMSON Controls, DUNA-USA and Slay Industries.

(c) Construction is underway with an estimated completion in 2027.

(d) Construction is underway with an estimated completion in the fourth quarter of 2026.

(e) Represents easements, rights-of-way, floodplain, detention basins and railroads in the District.

Future Development

The District is currently planned as a primarily industrial/manufacturing/commercial development. Approximately 9,089 developable acres of land currently within the District (including approximately fifteen to twenty percent of such acreage which is served by trunkline water distribution and wastewater collection facilities) are not yet fully served with water distribution and supply, wastewater collection and treatment or storm drainage facilities and road improvements. While the District anticipates future development, there can be no assurances if and when any of such undeveloped land will ultimately be developed or when additional roads will be constructed. After reimbursement with proceeds of the Bonds, the District will continue to owe approximately $21,600,000 to the Developer for water, sewer, drainage and road facilities. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

Fire Protection

The District entered into an Agreement for Emergency Protection Services with the City of Baytown that provides for fire protection service until June 30, 2026 ("Emergency Protection Agreement"). The District is currently negotiating an extension of the Fire Protection Agreement during which time the City of Baytown has agreed to continue to provide fire protection and emergency medical services. The Baytown Fire Department holds an Insurance Service Office ("ISO") Class 1 rating.

Barge Dock Facilities

The District has constructed a 600 foot barge dock and an adjacent lay down yard and has purchased equipment for the transportation of cargo on the dock including two cranes for the loading and unloading of barges, railcars, and trucks and equipment for the movement of containers. The District has established a policy for use of the barge dock facilities and levies a tariff for use of the facilities.

The District has entered into a Land Lease Agreement Through-Put Agreement with Platinum Stevedoring. The Agreement runs for one (1) year and is renewable annually.

The District entered into a Land Lease Agreement with Gulf Stream Marine dated November 1, 2017 for lease on a month-to-month basis of approximately two acres of land on the barge dock pursuant to which Gulf Stream Marine pays the District $4,000 per month in rent.

Deepwater Terminal Facility

The District has initiated an effort to develop a deepwater terminal facility to be located at the southern end of Cedar Port Industrial Park in Chambers County, Texas. The District has acquired real estate for the project including acquisition of approximately 596 acres from TGS Cedar Port Limited for disposal of spoil material resulting from deepwater dredging. The District has performed a Feasibility Study and Environmental Impact Statement under Section 203 of the Water Resources Development Act for the federal channel and has made application to the U.S. Army Corps of Engineers for constructing the terminal facility. Funding for the channel will be provided under a congressionally authorized cost sharing partnership agreement and the District intends to issue revenue bonds to finance the remainder. The project is conditioned on acquiring permits from the U.S. Army Corps of Engineers and congressional authorization. The District makes no representation regarding the completion or success of the project.

Property in the District is served by TGS Cedar Port Railroad, a Class III railroad with access to both Union Pacific and Burlington Northern Santa Fe railroad networks with one hundred and seven (107) miles of operating track currently within the District. To date, the rail lines serve approximately 3,000 acres of developed and undeveloped property.

MANAGEMENT OF THE DISTRICT

Directors and Officers

The District is governed by the Board of Directors, consisting of seven (7) directors, which has control over and management supervision of all affairs of the District. Directors are appointed by the Chambers County Commissioners Court and serve four-year staggered terms. A board member must be a landowner, an agent or employee of a landowner, an owner of a beneficial interest in a trust that owns property, a stockholder of a landowner or a resident within the District. The current members and officers of the Board, along with their titles and terms of office, are listed as follows:

Name	District Board Title	Term Expires
Wm. F. Scott	President	May 2029
Matt Fleming	Vice President	May 2027
Craig Cavalier	Secretary	May 2027
Clayton Henderson	Director	May 2029
Robert S. Jones	Director	May 2029
Roger Lambeth	Director	May 2027
John Shaddix	Director	May 2029

Bond Counsel/Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC, Houston, Texas serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor

The District's financial statements for the fiscal year ended December 31, 2025, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District's December 31, 2025, audited financial statements.

Engineers

The District's consulting engineer is Brock Lewis, P.E. (the “Engineer”). R.G. Miller | DCCM, Kimley-Horn and Associates, Inc. and Jacobs Engineering Group Inc. also provide engineering services to the District for specific projects.

Bookkeeper

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

Tax Appraisal

The Chambers County Appraisal District (the “Appraisal District”) has the responsibility of appraising taxable property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector

The District’s Tax Assessor/Collector is appointed by the Board to collect the District’s taxes. The Chambers County Tax Assessor Collector is currently serving in this capacity.

Utility System Operator

Municipal District Services, LLC (the "Operator") has been engaged by the District to operate the District's water supply and distribution and wastewater collection and treatment facilities.

THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS

General

In general, the activities of a landowner or developer in a 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. 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.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS—Economic Factors and Interest Rates."

The Developer

The principal developer of land in the District is TGS Cedar Port Partners, L.P. ("TGS Cedar Port" or the "Developer"), a Texas limited partnership whose general partner is TGS Cedar Port GP, LLC, a Texas limited liability company. TGS Cedar Port is an affiliate of Trans-Global Solutions, Inc., a provider of transportation, comprehensive railroad and heavy civil construction services. TGS Cedar Port owns approximately 9,089 acres of developable land in the District for development of the TGS Cedar Port Industrial Park. See "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

Principal Property Owners

See "THE DISTRICT—Land Use and Status of Development," "TAX DATA—Principal Taxpayers" "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers," and "—Dependence on Personal Property Tax Collections."

THE SYSTEM

Regulation

According to the District's Engineer, the District's water, sewer and drainage system and roadways have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Baytown and Chambers County. Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ.

Water Supply

The Baytown Area Water Authority (BAWA) was created in 1973 to serve the Baytown area with a stable and reliable source of treated surface water and to reduce the area's reliance on groundwater. BAWA provides the City of Baytown (the "City") with its entire domestic and commercial supply of water. The water treated by BAWA originates from the Trinity River and is conveyed to BAWA via the Coastal Water Authority (CWA) canal system. BAWA's Trinity River water conveyance system is operated under a contract with the City of Houston.

The City is the largest customer of BAWA and provides the District with potable water pursuant to a Water Supply Agreement, dated May 23, 2007, which requires the City to deliver water to the District through metered interconnect(s) in an amount not to exceed 500,000 gallons per day average daily flow. The District pays the City impact fees established by City ordinance for new development within the District and a monthly service charge equal to the service charge established by City ordinance for an area inside the City's boundary. In April 2007, the District constructed a water re-pressurization station, which is comprised of a 250,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, four 500 gallons per minute booster pumps, associated system controls and water disinfection equipment, yard piping and appurtenant site work. The District owns, operates and maintains the District's water system. According to the District's Engineer, the City's facilities are adequate to provide water supply capacity to all connections in the District plus all connections in the District expected to be developed in the future to complete the development of the District.

The District entered into the Interlocal Agreement for Elevated Storage Tank by and between the District and City dated July 26, 2013 ("Tank Agreement") to provide for the cost sharing and construction of a one million gallon elevated storage tank within the boundaries of the District. Pursuant to the Tank Agreement the District was obligated to pay 50% of all costs associated with the design, construction, and acquisition of the elevated storage tank. Construction of the elevated storage tank is complete and the City has assumed sole responsibility for the maintenance, repair, and operation of the elevated storage tank.

Wastewater Treatment Facilities

Wastewater treatment is provided by a 480,000 gallons per day ("gpd") wastewater treatment plant owned and maintained by the District. The plant is capable of serving 4,364 equivalent single-family connections (ESFCs) based on 220 gpd/ESFCs. As of September 1, 2026, the District was serving approximately 81 ESFCs.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve an aggregate of approximately 3,266 acres of industrial/manufacturing/commercial tracts in the District (including approximately 120 acres under construction). Approximately 9,089 acres within the District are planned for future development, of which approximately fifteen to twenty percent are served with trunkline water distribution and wastewater collection facilities. See "INVESTMENT CONSIDERATIONS—Undeveloped Land" and "THE DISTRICT—Land Use and Status of 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 rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, improvements 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 no assurance that improvements built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

Approximately 806 acres within the District are shown to be within the 100-year flood plain according to the FIRM. All future development will be required to be constructed above the established 100-year flood plain elevation in accordance with the rules of Chambers County. Existing developed properties were removed from the 100-year flood plain by either filling the site above the 100-year flood plain elevation and properly mitigating or by constructing the finished floor of the commercial structure above the 100-year flood plain. The District has not independently verified that existing developed properties are above the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—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 and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

District Operations

The Outstanding Bonds and the Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. See "THE DISTRICT—Land Use and Status of Development" and "—Barge Dock Facilities." Net revenues, if any, derived from the District's water and wastewater system or barge dock facilities are not pledged to the payment of debt service on the 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 significant net revenues will be available for the payment of debt service on the Bonds. In the event net revenues are insufficient to meet District expenditures, the District may raise additional revenues by increasing its water and sewer rates or by levying a maintenance tax. See "TAX DATA—Maintenance and Operations Tax."

The following statement sets forth in condensed form the General Operating Fund as shown on the District's audited financial statements for the fiscal years ended 2022 through 2025, and an unaudited summary prepared by the Bookkeeper for the eight-month period ended August 31, 2026. Accounting principles customarily employed in the determination of net revenues of utility districts have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for a copy of the District's December 31, 2025 audited financial statements.

		Fiscal Year Ended December 31			
	1/1/2026 to 8/31/2026 (a) (Unaudited)	2025	2024	2023	2022
Revenues					
Property Taxes	$ 747,232	$ 929,722	$ 751,382	$ 698,531	$ 546,803
Barge Terminal	953,706	1,160,603	1,290,294	890,301	1,267,501
Payment in Lieu of Taxes (b)	1,052,479	728,305	543,653	555,552	619,453
Water Service	4,568,425	6,423,697	4,661,770	4,058,503	2,593,924
Wastewater Service	1,268,537	1,945,207	1,830,383	1,274,017	636,360
Penalty and Interest	197,470	418,642	236,748	381,337	209,450
Tap Connection and Inspection Fees	513,668	320,227	1,189,278	1,346,717	1,792,829
Grant Revenues (c)	-	-	-	3,000,000	-
Miscellaneous Revenues	327,465	345,929	465,556	322,565	197,477
Total Revenues	$ 9,628,981	$ 12,272,332	$ 10,969,064	$ 12,527,523	$ 7,863,797
Expenditures					
Professional Fees	$ 376,442	$ 488,764	$ 637,359	$ 529,381	$ 372,528
Contracted Services	1,277,871	2,223,452	2,368,603	1,561,066	1,121,386
Purchased Water Service	4,175,706	5,801,008	5,200,365	4,553,748	2,444,513
Barge Terminal	681,429	922,178	1,154,517	333,793	340,994
Utilities	125,682	173,031	173,198	115,884	115,380
Repairs and Maintenance	916,885	1,125,508	873,776	859,940	844,173
Other	260,383	499,360	784,822	692,301	763,167
Capital Outlay (d)	420,109	498,266	103,622	4,182,052	3,476,850
Total Expenditures	$ 8,234,506	$ 11,731,567	$ 11,296,262	$ 12,828,165	$ 9,478,991
Revenues Over (Under) Expenditures	$ 1,394,475	$ 540,765	$ (327,198)	$ (300,642)	$ (1,615,194)
Fund Balance (Beginning of Year)	$ 7,991,925	$ 7,451,160	$ 7,778,358	$ 8,079,000	$ 9,694,194
Fund Balance (End of Year)	$ 9,386,400	$ 7,991,925	$ 7,451,160	$ 7,778,358	$ 8,079,000

(a) Unaudited. Provided by the Bookkeeper.

(b) Beginning in 2018, the District entered into agreements for payment of taxes ("PILOT") with most purchasers of land that will be served by the District's utility infrastructure. The PILOT agreements are in effect for varying periods of time. Pursuant to the PILOT agreements, the landowner is obligated to add an agreed amount taxable value to the District as established by the Chambers County Appraisal District or make payment to the District for any shortfall in value. The payments are calculated on an agreed tax rate, which is approximately the District's then prevailing tax rate. For the fiscal years ending December 31, 2022, 2023, 2024 and 2025, the District received $619,453, $555,552, $543,653 and $728,305, respectively, pursuant to the PILOT agreements. The revenue generated from the PILOT agreements is deposited to the District's General Operating Fund and is not pledged to the payment of debt service on the Bonds but is available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds at the discretion of the Board.

(c) Includes $3,000,000 in grant funds.

(d) Includes barge purchase of $3,900,000 in fiscal year ending 2023.

THE ROADS

Proceeds of previously issued bonds have been used to finance the road system (the "Roads") which serve the property owners of the District by providing collector roads and portions of major thoroughfares within the District and the surrounding area. The road system is comprised of Baytown Area Water Authority Road, Cedar Port Parkway, Phase 1, Dock Lead, Deepwater Expansion, Cedar Port Parkway, Phase 2, Fisher Road expansion, Cedar Port Parkway improvements along Texas 99, and DeWitt Drive. FM 1405 functions as a major thoroughfare by conveying travelers to Texas 99 (Grand Parkway). The Roads continue to be owned, operated and maintained by the District.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Certified Taxable Assessed Valuation	$3,529,825,967	(a)
Gross Direct Long-Term Debt Outstanding (the Bonds and the Outstanding Bonds)	$351,120,000	(b)
Estimated Overlapping Debt	242,157,811	(c)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$593,277,811	
Ratio of Gross Direct Long-Term Debt to:		
2026 Certified Taxable Assessed Valuation	9.95%	
Ratio of Gross Direct Long-Term Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	16.81%	
Water, Sewer and Drainage Debt Service Funds Available as of September 9, 2026	$11,229,692	
Road Bonds Debt Service Funds Available as of September 9, 2026	3,256,102	
Total Debt Service Funds Available	$14,485,794	(d)
Funds Available for Operation and Maintenance as of September 9, 2026	$ 4,668,608	
Funds Available for Water, Sewer and Drainage Capital Projects as of September 9, 2026	$12,888,048	
Funds Available for Road Capital Projects as of September 9, 2026	$ 3,605,026	
Funds Available for Terminal Operating Fund as of September 9, 2026	$ 4,702,668	(e)

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

(b) After issuance of the Bonds. See "—Outstanding Bonds" herein.

(c) See "—Estimated Overlapping Debt" herein.

(d) 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 bonds sold for water, sewer and drainage facilities(the "Water, Sewer and Drainage Bonds"), including the Bonds, and a portion will be allocated to bonds sold for road facilities (the "Road Bonds"). See " THE BONDS—Funds" and "—Outstanding Bonds" herein. The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage Bonds and the Water, Sewer and Drainage Debt Service Fund is not pledged to the Road Bonds.

(e) The Terminal Operating Fund is included in the General Operating Fund in the Districts audited financial statements. See "THE SYSTEM—District Operations."

Investments of the District

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

Outstanding Debt

The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds that are outstanding as of the date hereof.

Series		Original Principal Amount	Outstanding Bonds
2014	(a)	$ 7,390,000	$ 2,380,000
2015		12,180,000	6,745,000
2016	(b)	2,955,000	980,000
2016A	(a)	14,565,000	6,535,000
2017		18,915,000	12,615,000
2018	(c)	9,245,000	5,895,000
2020	(b)	5,185,000	3,935,000
2020A	(c)	8,300,000	6,925,000
2020		43,030,000	35,780,000
2021	(a)	12,140,000	9,370,000
2021A		29,900,000	26,020,000
2022	(c)	32,900,000	28,900,000
2023		61,265,000	57,865,000
2023	(c)	30,500,000	29,600,000
2025		55,000,000	55,000,000
2025A		25,075,000	25,075,000
Total		$ 368,545,000	$ 313,620,000

(a) Unlimited tax refunding bonds.
(b) Unlimited tax road refunding bonds.
(c) Unlimited tax road bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see "Outstanding Bonds" above) plus the estimated debt service on the Bonds assuming an estimated interest rate of 5.50%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 22,678,485	$ -	$ 1,655,729	$ 1,655,729	$ 24,334,214
2028	24,270,068	-	2,062,500	2,062,500	26,332,568
2029	23,908,415	550,000	2,047,375	2,597,375	26,505,790
2030	23,470,988	550,000	2,017,125	2,567,125	26,038,113
2031	23,178,069	555,000	1,986,738	2,541,738	25,719,806
2032	22,819,144	555,000	1,956,213	2,511,213	25,330,356
2033	21,945,438	555,000	1,925,688	2,480,688	24,426,125
2034	21,973,013	1,425,000	1,871,238	3,296,238	25,269,250
2035	21,688,925	1,425,000	1,792,863	3,217,863	24,906,788
2036	21,359,788	1,425,000	1,714,488	3,139,488	24,499,275
2037	21,171,631	1,425,000	1,636,113	3,061,113	24,232,744
2038	20,760,256	1,585,000	1,553,338	3,138,338	23,898,594
2039	20,287,994	1,585,000	1,466,163	3,051,163	23,339,156
2040	19,722,375	1,585,000	1,378,988	2,963,988	22,686,363
2041	18,625,925	1,585,000	1,291,813	2,876,813	21,502,738
2042	17,245,019	1,585,000	1,204,638	2,789,638	20,034,656
2043	16,434,231	1,585,000	1,117,463	2,702,463	19,136,694
2044	15,973,619	1,585,000	1,030,288	2,615,288	18,588,906
2045	15,604,569	1,585,000	943,113	2,528,113	18,132,681
2046	12,783,206	1,585,000	855,938	2,440,938	15,224,144
2047	12,366,213	1,585,000	768,763	2,353,763	14,719,975
2048	11,971,313	1,585,000	681,588	2,266,588	14,237,900
2049	10,317,463	1,640,000	592,900	2,232,900	12,550,363
2050	8,549,488	1,660,000	502,150	2,162,150	10,711,638
2051	8,211,513	1,660,000	410,850	2,070,850	10,282,363
2052	7,873,538	1,660,000	319,550	1,979,550	9,853,088
2053	3,815,250	1,660,000	228,250	1,888,250	5,703,500
2054	3,649,150	1,660,000	136,950	1,796,950	5,446,100
2055	3,483,050	1,660,000	45,650	1,705,650	5,188,700
Total	$ 476,138,130	$ 37,500,000	$ 35,194,454	$ 72,694,454	$ 548,832,584

Average Annual Debt Service Requirements (2027-2055) $18,925,262
Maximum Annual Debt Service Requirement (2029) $26,505,790

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Chambers County	$ 211,325,000	8/31/2026	16.84%	$ 35,582,904
Goose Creek Consolidated Independent School District	526,210,012	8/31/2026	17.12%	90,066,106
Barbers Hill Independent School District	541,355,000	8/31/2026	18.56%	100,453,834
Lee College District	21,975,000	8/31/2026	15.70%	3,449,636
Cedar Bayou Navigation District	26,355,000	8/31/2026	47.83%	12,605,333
Total Estimated Overlapping Debt				$ 242,157,811
The District	351,120,000 (a)	Current	100.00%	351,120,000
Total Direct and Estimated Overlapping Debt				$ 593,277,811

Direct and Estimated Overlapping Debt as a Percentage of:
2026 Certified Taxable Assessed Valuation of $3,529,825,967 ..... 16.81%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2025 tax year by all taxing jurisdictions and the 2026 tax rate for the District. None of the overlapping jurisdictions below have set a tax rate for the 2026 tax year as of the date hereof. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Chambers County	$ 0.439746
City of Baytown Industrial Agreements (a)	0.510000
Cedar Bayou Navigation District (b)	0.020000
Goose Creek Consolidated Independent School District (c)	1.070000
Lee College District	0.210200
Total Overlapping Tax Rate	$ 2.249946
The District (d)	0.720000
Total Tax Rate	$ 2.969946

(a) All taxpayers in the District have Industrial District Agreements with the City of Baytown for payments in lieu of ad valorem taxes and provide a limited immunity from annexation. This is an estimated average rate and is subject to change.
(b) This is an assessment, not a property tax.
(c) A portion of the District is within Barbers Hill Independent School District, which set its 2025 tax rate at $1.0523 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in this area of $2.952246 per $100 of taxable assessed valuation.
(d) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Outstanding Bonds and the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Outstanding Bonds and the Bonds. See "INVESTMENT CONSIDERATIONS—Tax Collections and Foreclosure Remedies," "Historical Tax Rate Distribution" and "Tax Roll Information" in this section, and "TAXING PROCEDURES."

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. On February 7, 2004, voters within the District authorized the levy of a maintenance tax, without limitation. A maintenance tax, if levied, is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Historical Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.69	(a) $ 0.69	$ 0.69	$ 0.69	$ 0.68
Maintenance and Operations	0.03	0.03	0.03	0.03	0.04
Total	$ 0.72	$ 0.72	$ 0.72	$ 0.72	$ 0.72

(a) Of such $0.69 debt service tax rate, $0.53 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater and storm drainage facilities and $0.16 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for road and improvements in aid thereof.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Information for each tax year is current as of that year. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records and statements 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	$ 1,302,776,660	$ 0.72	$ 9,379,992	$ 9,379,992	100.00%
2022	1,711,851,977	0.72	12,325,334	12,323,301	99.98%
2023	2,470,038,494	0.72	17,784,277	17,784,276	100.00%
2024	3,112,135,194	0.72	22,407,373	22,352,195	99.75%
2025	3,440,482,269	0.72	24,771,472	24,654,275	99.53%

(a) Unaudited.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Levy of Taxes"). The following represents the composition of property comprising the 2022 through 2026 Certified Taxable Assessed Valuations.

Tax Year	Type of Property: Land	Improvements	Personal Property (a)	Gross Assessed Valuations	Deferments and Exemptions	Net Assessed Valuations
2022	$ 256,754,280	$ 647,528,193	$ 1,129,139,763	$ 2,033,422,236	$ (321,570,259)	$ 1,711,851,977
2023	303,586,420	805,755,424	1,688,799,513	2,798,141,357	(328,102,863)	2,470,038,494
2024	355,165,520	1,384,906,717	1,665,730,918	3,405,803,155	(293,667,961)	3,112,135,194
2025	721,631,160	1,447,042,591	1,741,555,846	3,910,229,597	(469,747,328)	3,440,482,269
2026	731,093,730	1,605,928,154	1,741,621,491	4,078,643,375	(549,103,418)	3,529,539,957

(a) See "INVESTMENT CONSIDERATIONS—Dependance on Personal Property Tax Collections."

Additional Penalties

The District has contracted with Smith, Murdaugh, Little & Bonham, L.L.P. for collection of delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax, penalty and interest to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the 2026 Certified Taxable Assessed Valuation of $3,529,825,967.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Wal-Mart Stores Inc. (a)	$ 263,763,119	7.47%
JSW Steel USA Inc. (a) (c)	178,310,981	5.05%
Borusan Nannesmann Pipe US (a) (c)	171,719,404	4.86%
TGS Cedar Port Partners LP (b)	155,300,098	4.40%
Floor & Décor Outlets of America (a)	107,118,023	3.03%
SBR Cedar Port Owner, LP	99,411,835	2.82%
Sumika Semiconductor Materials TX	90,808,210	2.57%
Home Depot Inc. (a)	86,854,073	2.46%
DRE Baytown Inc.	76,604,430	2.17%
TGSCP 6363 LLC (a)	74,654,930	2.11%
Total	$ 1,304,545,103	36.96%

(a) See "THE DISTRICT—Land Use and Status of Development" and "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS—Principal Property Owners."
(b) See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS—The Developer."
(c) Has exposure to the upstream oil and gas industry.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Certified Taxable Assessed Valuation of $3,529,825,967. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2055)	$18,925,262
$0.57 Tax Rate on the 2026 Certified Taxable Assessed Valuation	$19,114,008
Maximum Annual Debt Service Requirement (2029)	$26,505,790
$0.80 Tax Rate on the 2026 Certified Taxable Assessed Valuation	$26,826,677

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Orders to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Maintenance and Operations Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here.

The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units 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").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income and mobile homes are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons sixty-five years or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2026, the District has not adopted a residential homestead exemption for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. 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 the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or 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. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also 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. See "TAX DATA."

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. 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. The District has not granted a general homestead exemption.

Freeport Goods Exemption and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum 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 the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property 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, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property 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. 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. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Chambers County or the City of Baytown may designate all or part of the area within the District as a reinvestment zone. Thereafter, Chambers County, the District, and the City of Baytown (after annexation of the District), under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (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 District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. Neither Chambers County nor the District adopted an order regarding the reappraisal of property in the District.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operations and Maintenance Tax

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on homesteads as described above under "—Levy and Collection of Taxes." 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential and agricultural property and within six (6) months for commercial and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes 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 "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

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

Dependence on Principal Taxpayers

Based on the 2026 Certified Taxable Assessed Valuation of $3,529,825,967, the ten largest property owners are responsible for payment of approximately 36.96% of the District's 2026 taxes. The principal taxpayer is Wal-Mart representing $263,763,119 or 7.47% of the 2026 Certified Taxable Assessed Valuation of $3,529,825,967. See "THE DISTRICT—Land Use and Status of Development" and "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. Several of the District's top taxpayers have exposure to the oil and gas industry and are subject to the various risks associated with such industry. See "Potential Effects of Oil Price Fluctuations on the Houston Area."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of industrial/manufacturing/commercial projects and vacant tracts of land. The market value of such properties is related to general economic conditions in Houston (including the oil and gas industry), the State and the nation and those conditions can affect the demand for such properties. Demand for industrial/manufacturing/commercial sites of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Additionally, TGS Cedar Port estimates that approximately ten percent (10%) of the District's 2026 tax base has exposure to the upstream oil and gas industry. See "TAX DATA—Principal Taxpayers." Because the Houston area economy (which includes Chambers County) is particularly affected by the oil and gas industry, fluctuations in prices for oil and gas could negatively affect the demand for and the values of real estate in the Houston area. See "Potential Effects of Oil Price Fluctuations on the Houston Area" herein.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, 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 20 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 national credit and financial markets. A decline in the nation's real estate and financial markets could adversely affect development in the District and restrain the growth or reduce the value of the District's property tax base.

Trade Disruptions and Increase in Costs of Building Materials

A majority of the development in the District includes warehouse distribution facilities, much of which are dependent on foreign trade, and approximately 49% of the District's tax base is comprised of personal property (see "Dependence on Personal Property Tax Collections" herein). As a result of ongoing trade disputes including tariffs and retaliatory tariffs, the volume of personal property within the District could be materially impacted. Further, trade disruptions based on the federal administration's unpredictable tariff policy (including the threatened imposition of tariffs) could increase the cost of materials for new construction in the District. Any material impacts to the volume of personal property and decreased levels of construction activity within the District could restrict the growth of property values or could adversely impact existing values. The District makes no representations regarding the effects that current or future economic or governmental circumstances may have on property values or construction activity within the District.

Undeveloped Land

The District includes approximately 9,089 acres of developable land (including approximately fifteen to twenty percent of which is served by trunkline water distribution and wastewater collection facilities) that has not been fully provided with water, wastewater and storm drainage facilities. Failure of the Developer to develop the developable land or of builders to build taxable improvements or developed land could restrict the rate of growth of taxable values in the District. The District can give no assurances when and if this land will be developed.

Dependence on Personal Property Tax Collections

Approximately 49.34% ($1,741,621,491) of the 2026 Certified Taxable Assessed Valuation of $3,529,825,967 is personal property. Most other special purpose districts in Texas are not dependent to such an extent on taxes levied on personal property, and collection of personal property taxes is less reliable than collection of taxes on real property. See "TAX DATA—Tax Roll Information" and "TAXING PROCEDURES—Property Subject to Taxation—Freeport Goods Exemption and Goods-in-Transit Exemption."

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

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

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

Potential Effects of Oil Price Fluctuations on the Houston Area

A significant percentage of the District's 2026 tax base, including two of the principal taxpayers, has exposure to the upstream oil and gas industry, thereby creating a concentration risk for the District. See "TAX DATA—Principal Taxpayers." 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 adversely impact businesses that own property in the District and result in declines in the demand for residential and commercial property in the Houston area as well as reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Risk of Catastrophic Loss

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

Extreme Weather Events

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

According to the District's Operator, the District's System sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Developer, no businesses within the District experienced significant flooding or other material damage as a result of Hurricane Harvey.

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 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 may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flood: Coastal (or Storm Surge) flooding occurs when water levels 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 coastal areas. Extreme flooding can occur in coastal areas particularly when storm surge coincides with normal high tide.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Certified Taxable Assessed Valuation is $3,529,825,967. After issuance of the Bonds, the maximum annual debt service requirement will be $26,505,790 (2029), and the average annual debt service requirement will be $18,925,262 (2027-2055). Assuming no increase or decrease from the 2026 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.80 and $0.57 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The 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 "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Landowners/Developers Under No Obligation to the District

There are no commitments from or obligations of the Developer, principal property owners or any other landowner within the District to proceed with the development of land or the construction of improvements in the District at any particular rate or according to any specified plan, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and failure of landowners to develop their land could restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer, principal property owners and the other landowners for the timely payment of annual ad valorem taxes levied by the district for the purpose of paying debt service on the Bonds, and the District cannot predict what the future financial condition of such Developer, principal property owners or other landowners will be, or what effect, if any, the conditions described herein may have on their ability to pay taxes.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. Voters within the District have authorized the issuance of $5,389,381,140 principal amount of unlimited tax bonds for the purposes set forth in the Act, including the preservation, maintenance, and enhancement of the economic health and vitality of the TGS Cedar Port Industrial Park as a business and industrial center and funding of such bonds. After issuance of the Bonds, the District will have $4,970,021,140 principal amount of unlimited tax bonds authorized but unissued. Any additional bonds issued will be on a parity with the Bonds; therefore, the issuance of additional obligations may increase the District's tax rate and adversely affect the security of, and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds that it may issue. The issuance of additional bonds for water, wastewater and storm drainage purposes is subject to approval by the TCEQ pursuant to issuance guidelines established by the TCEQ. See "THE BONDS—Issuance of Additional Debt."

The Bonds represent a portion of the $47,370,000 principal amount of bonds approved by the TCEQ. Such approval expires September 17, 2027, unless an extension is requested and granted by the TCEQ. The District has not determined if or when the remaining amount approved by the TCEQ authorization will be issued.

The District intends to issue additional bonds to continue developing land within the District and to construct utilities and roads within the District's boundaries. After reimbursement with proceeds of the Bonds, the District will continue to owe approximately $21,600,000 to the Developer in the District for water, sewer, drainage and road facilities. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for constructing or acquiring water, sewer or drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, additional bonds may be issued for purposes which do not result in any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Registered Owners' Remedies and Bankruptcy

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued 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. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

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 Service Area. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, 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. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer and its claims paying ability. The insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the insurer and of the ratings on the Bonds insured by the insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds. See description of "MUNICIPAL BOND 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 Underwriter has 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.

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.

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 "TAX MATTERS."

Marketability

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("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 the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws as described under the caption which follows entitled "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT—General," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

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 (the "Code"). Interest on the Bonds may be excludable in certain corporations "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents 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.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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 is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. 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 the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, 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 would constitute original issue discount. 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, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 the 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 Original Issue Discount 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 the treatment 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.

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. 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 the 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.

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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health- insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

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.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds will not be designated "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter's expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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 Moody's, 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT have been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described herein under "Certification of Official Statement" in this section. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the statutes, orders, engineering and other related reports 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, Houston, Texas 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. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT.

The Financial Advisor has not, however, independently verified the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation into the affairs of persons or firms referred to in this OFFICIAL STATEMENT for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has consented to the use of information provided by such firm.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the District's assessed value has been provided by the Chambers County Appraisal District and has been included herein in reliance upon the authority of such entity as an expert in appraising the values of property in Chambers County including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value, the historical tax rate distribution, historical tax collection rates and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Chambers County Tax Assessor/Collector and is included herein in reliance upon the authority of such entity as an expert in appraising property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water and sewer system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Brock Lewis, P.E., the District's Engineer, and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

Auditor: The District's audited financial statements for the fiscal year ended December 31, 2025, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2025, audited financial statement.

Bookkeeper: The information related to the "unaudited" information contained under the caption "THE SYSTEM—District 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 tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, in reliance on the experts listed above hereby certifies, as of the date hereof, that the information, statements, and descriptions 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. The information, descriptions and statements concerning entities other than the District including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED), (except for "Overlapping Debt" and "Overlapping Taxes")," "TAX DATA," "THE SYSTEM," and "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026.

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

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material (15) incurrence of a financial obligation of the District or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or an obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or an obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. 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 in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. The MSRB makes the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

For the last five years, the District has been in compliance in all material respects with its previous disclosure undertakings made 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.

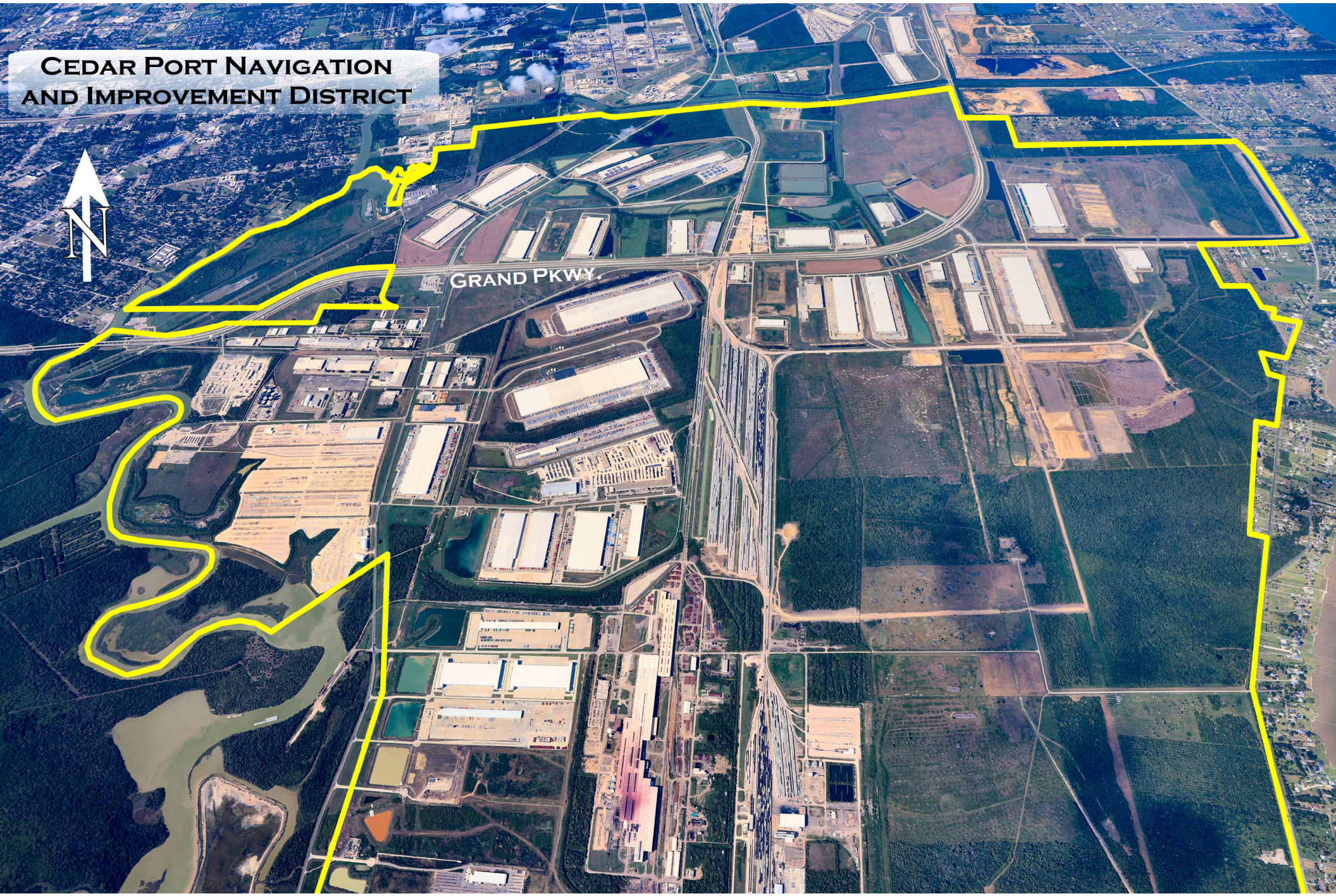
This OFFICIAL STATEMENT was approved by the Board of Directors of Cedar Port Navigation and Improvement District as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of October 2026)


Cedar Port Navigation
and Improvement District
N
Grand Pkwy.

N
Cedar Port Navigation
and Improvement District

PHOTOGRAPHS OF THE DISTRICT
(As of October 2026)

Walmart
IDC 7042
Associate Entrance

WebstaurantStore
4725
E. Grand Parkway

5711
niagara

HARCROS
TMI

STOP

Ravago
7777
Be Proud of the work you do on this job site

samson
4103 Center Blvd.
SAMSON Controls, Inc.

DUNA-USA
FOAMS & CHEMICALS

TALKE

BORUSAN
PIPE
ADMINISTRATIVE
ENTRANCE

JSW USA
AGILITY
STOP

APPENDIX A

Financial Statement of the District for the fiscal year ended December 31, 2025

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT

CHAMBERS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cedar Port Navigation and Improvement District
Chambers County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cedar Port Navigation and Improvement District (the "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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Cedar Port Navigation and Improvement District

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

April 8, 2026

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Management's discussion and analysis of the financial performance of Cedar Port Navigation and Improvement District (the "District") provides an overview of the District's financial activities for the year ended December 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,089,930 as of December 31, 2025. A portion of the District's net position reflects its net investment in capital assets which includes land, roads, barge terminal and the water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

The table on the following page presents a comparative analysis of government-wide changes in net position for the current and prior years.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 67,659,380	$ 63,863,517	$ 3,795,863
Capital Assets	296,007,511	255,097,718	40,909,793
Total Assets	$ 363,666,891	$ 318,961,235	$ 44,705,656
Deferred Outflows of Resources	$ 1,100,638	$ 1,246,795	$ (146,157)
Due to Developer	$ 10,737,215	$ 14,946,247	$ 4,209,032
Bonds and BAN Payables	321,727,399	267,922,017	(53,805,382)
Other Liabilities	5,879,855	5,356,237	(523,618)
Total Liabilities	$ 338,344,469	$ 288,224,501	$ (50,119,968)
Deferred Inflows of Resources	$ 25,333,130	$ 22,793,509	$ (2,539,621)
Net Position:			
Net Investment in Capital Assets	$ (16,145,639)	$ (5,686,961)	$ (10,458,678)
Restricted	9,238,780	7,419,921	1,818,859
Unrestricted	7,996,789	7,457,060	539,729
Total Net Position	$ 1,089,930	$ 9,190,020	$ (8,100,090)

The following table provides a summary of the District's operations for the years ending December 31, 2025, and December 31, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 22,837,596	$ 18,554,218	$ 4,283,378
Barge Terminal Revenues	1,160,603	1,290,294	(129,691)
Charges for Services	9,107,773	7,918,179	1,189,594
Other Revenues	2,278,031	2,661,590	(383,559)
Total Revenues	$ 35,384,003	$ 30,424,281	$ 4,959,722
Expenses for Services	43,484,093	26,430,595	(17,053,498)
Change in Net Position	$ (8,100,090)	$ 3,993,686	$ (12,093,776)
Net Position, Beginning of Year	9,190,020	5,196,334	3,993,686
Net Position, End of Year	$ 1,089,930	$ 9,190,020	$ (8,100,090)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District had combined fund balances of $40,273,669 as of December 31, 2025, an increase of $17,894,235 from the prior fiscal year. The General Fund fund balance increased by $540,765, mainly due to service revenues, property tax revenues and barge terminal revenues exceeding operating and capital outlay expenditures. The Debt Service Fund fund balance increased by $2,752,434, primarily due to the structure of the District's outstanding debt service requirements. The Capital Projects Fund fund balance increased by $14,601,036 due to the issuance of the Series 2025 and 2025A bonds.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund for the current fiscal year. The budget was not amended. Actual revenues were $935,054 more than budgeted revenues and actual expenditures were $1,012,277 more than budgeted expenditures which resulted in a negative variance of $77,223. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2025, totaled $296,007,511 net of accumulated depreciation. Additions to capital assets included land as well as construction and engineering costs for water, wastewater, detention, and drainage infrastructure and roads.

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 112,928,107	$ 92,600,763	$ 20,327,344
Construction in Progress	198,265		198,265
Capital Assets Not Subject to Depreciation:			
Roads	43,410,001	41,894,224	1,515,777
Barge Terminal	18,998,588	18,998,588	
Water System	25,269,311	20,537,521	4,731,790
Wastewater System	29,981,832	29,110,476	871,356
Drainage System	104,167,020	84,213,384	19,953,636
Less Accumulated Depreciation	(38,945,613)	(32,257,238)	(6,688,375)
Total Net Capital Assets	$ 296,007,511	$ 255,097,718	$ 40,909,793

LONG-TERM DEBT ACTIVITY

As of December 31, 2025, the District had total bond debt payable of $324,220,000. The changes in bond debt of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, January 1, 2025	$	253,745,000
Add: Bonds Issued		80,075,000
Less: Bond Principal Paid		(9,600,000)
Bond Debt Payable, December 31, 2025	$	324,220,000

The District's bonds issued from 2015 through current carry underlying ratings of "A2" by Moody's. The District's bonds do not carry insured ratings. The 2014A Refunding bonds are private placement bonds and, thus, are not rated.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2026 projects a General Fund fund balance increase of $345,314. Revenues are anticipated to be $11,987,502 for the fiscal year ended December 31, 2026, while expenditures are budgeted at $11,642,188.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cedar Port Navigation and Improvement District, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 913,176	$
Investments	12,156,935	15,716,124
Receivables:		
Property Taxes	758,255	17,399,277
Service Accounts	865,281	
Accrued Interest	24,524	7,947
Other	200,000	
Due From Tax Assessor/Collector	327,750	
Due from Other Funds		3,845,247
Prepaid Costs		49,116
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 15,245,921	$ 37,017,711
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 15,245,921	$ 37,017,711

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 295	$ 913,471	$	$ 913,471
19,240,700	47,113,759		47,113,759
	18,157,532		18,157,532
	865,281		865,281
	32,471		32,471
	200,000		200,000
	327,750		327,750
	3,845,247	(3,845,247)	
	49,116		49,116
		112,928,107	112,928,107
		198,265	198,265
		182,881,139	182,881,139
$ 19,240,995	$ 71,504,627	$ 292,162,264	$ 363,666,891
$ -0-	$ -0-	$ 1,100,638	$ 1,100,638
$ 19,240,995	$ 71,504,627	$ 293,262,902	$ 364,767,529

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

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 1,014,264	$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	3,845,247	
Security Deposits	932,018	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 5,791,529	$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 1,042,930	$ 23,946,793
Deferred Revenue	419,537	
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 1,462,467	$ 23,946,793
FUND BALANCES		
Nonspendable -		
Prepaid Costs	$	$ 49,116
Restricted for Authorized Construction		
Restricted for Debt Service		13,021,802
Unassigned	7,991,925	
TOTAL FUND BALANCES	$ 7,991,925	$ 13,070,918
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 15,245,921	$ 37,017,711
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 30,169	$ 1,044,433	$	$ 1,044,433
		3,903,404	3,903,404
		10,737,215	10,737,215
	3,845,247	(3,845,247)	
	932,018		932,018
		10,600,000	10,600,000
		311,127,399	311,127,399
$ 30,169	$ 5,821,698	$ 332,522,771	$ 338,344,469
$ -0-	$ 24,989,723	$ (76,130)	$ 24,913,593
	419,537		419,537
$ -0-	$ 25,409,260	$ (76,130)	$ 25,333,130
$	$ 49,116	$ (49,116)	$
19,210,826	19,210,826	(19,210,826)	
	13,021,802	(13,021,802)	
	7,991,925	(7,991,925)	
$ 19,210,826	$ 40,273,669	$ (40,273,669)	$ -0-
$ 19,240,995	$ 71,504,627		
		$ (16,145,639)	$ (16,145,639)
		9,238,780	9,238,780
		7,996,789	7,996,789
		$ 1,089,930	$ 1,089,930

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

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Fund Balances - Governmental Funds		$ 40,273,669
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		296,007,511
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		1,100,638
Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		76,130
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (10,737,215)	
Accrued Interest Payable	(3,903,404)	
Bonds Payable	(321,727,399)	(336,368,018)
Total Net Position - Governmental Activities		$ 1,089,930

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

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 929,722	$ 21,204,465
Barge Terminal	1,160,603	
Payment in Lieu of Taxes	728,305	
Water Service	6,423,697	
Wastewater Service	1,945,207	
Penalty and Interest	418,642	
Connection, Inspection, and Service Fees	320,227	
Investment and Miscellaneous Revenues	345,929	900,193
TOTAL REVENUES	$ 12,272,332	$ 22,104,658
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 488,764	$
Contracted Services	2,223,452	207,316
Purchased Water Service	5,801,008	
Barge Terminal	922,178	
Utilities	173,031	
Repairs and Maintenance	1,125,508	
Depreciation		
Other	499,360	
Capital Outlay	498,266	
Developer Interest		
Debt Service:		
Bond Principal		9,600,000
BAN and Bond Interest Costs		9,544,908
BAN and Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 11,731,567	$ 19,352,224
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	$ 540,765	$ 2,752,434
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$	$
Bond Discounts		
Bond Premiums		
TOTAL OTHER FINANCING SOURCES, NET	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ 540,765	$ 2,752,434
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2025	7,451,160	10,318,484
FUND BALANCES/NET POSITION - DECEMBER 31, 2025	$ 7,991,925	$ 13,070,918

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 22,134,187	$ (24,896)	$ 22,109,291
	1,160,603		1,160,603
	728,305		728,305
	6,423,697		6,423,697
	1,945,207		1,945,207
	418,642		418,642
	320,227		320,227
1,031,909	2,278,031		2,278,031
$ 1,031,909	$ 35,408,899	$ (24,896)	$ 35,384,003
$ 5,787,735	$ 6,276,499		$ 6,276,499
	2,430,768		2,430,768
	5,801,008		5,801,008
	922,178		922,178
	173,031		173,031
	1,125,508		1,125,508
		6,688,375	6,688,375
12,171	511,531		511,531
51,308,934	51,807,200	(51,807,200)	
3,890,926	3,890,926		3,890,926
	9,600,000	(9,600,000)	
303,209	9,848,117	1,108,933	10,957,050
4,707,219	4,707,219		4,707,219
$ 66,010,194	$ 97,093,985	$ (53,609,892)	$ 43,484,093
$ (64,978,285)	$ (61,685,086)	$ 53,584,996	$ (8,100,090)
$ 80,075,000	$ 80,075,000	$ (80,075,000)	$
(1,036,420)	(1,036,420)	1,036,420	
540,741	540,741	(540,741)	
$ 79,579,321	$ 79,579,321	$ (79,579,321)	$ -0-
$ 14,601,036	$ 17,894,235	$ (17,894,235)	$
		(8,100,090)	(8,100,090)
4,609,790	22,379,434	(13,189,414)	9,190,020
$ 19,210,826	$ 40,273,669	$ (39,183,739)	$ 1,089,930

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

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Governmental Funds	$ 17,894,235
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(24,896)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(6,688,375)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	51,807,200
Bond discounts, premiums and deferred charges are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities in governmental activities.	296,461
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	9,600,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(909,715)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(80,075,000)
Change in Net Position - Governmental Activities	$ (8,100,090)

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

NOTE 1. CREATION OF DISTRICT

Cedar Port Navigation and Improvement District (the "District") (formerly known as Chambers County Improvement District No. 1), a political subdivision of the State of Texas located in Chambers County, was created effective August 30, 1993, by special act of the 73rd Texas Legislature. The District has the powers, among others, of municipal management districts, road utility districts, navigation districts, rural rail transportation districts and municipal utility districts created pursuant to Article III, Section 52, Article III, Section 52-a and Article XVI, Section 59 of the Texas Constitution. Pursuant to Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended, the District can conduct a broad range of functions related to diversification of the economy of the State of Texas, promotion, development and expansion of employment, commerce, economic development and the public welfare, promotion of the control, treatment, storage and distribution of water, protecting, preserving and restoring the sanitary condition of water, promoting the transportation of agricultural, industrial and commercial products, promoting the health, safety and general welfare of property owners, residents, employers and employees in the District, promoting the improvement of rivers, bays, creeks, streams and canals to permit or to aid navigation and commerce and promoting the construction, maintenance and operations of streets, roads, highways, turnpikes and railroads in the area of the District. The Board of Directors held its first meeting on September 21, 1993, and the District's first bond issue was on January 20, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission. The District is a political subdivision of the State of Texas governed by a board appointed by the Chambers County Commissioners Court. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separate governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and barge terminal operations.

Debt Service Fund – to account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end.

Under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2024 tax levy collections during the period October 1, 2024, to December 31, 2025, and taxes collected from January 1, 2025, to December 31, 2025, for the 2023 and prior tax levies. The 2025 tax levy has been fully deferred to meet the operating costs of the 2026 fiscal year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The General Fund recorded a payable to the Debt Service Fund in the amount of $3,845,247 for debt service tax collections.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered "employees" for federal payroll tax purposes only.

Capital Assets

Capital assets, which include roads, barge terminal, property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Roads	10-50
Barge Terminal	25
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Measurement Focus

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

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

The District classifies the fund balances in governmental funds using the following hierarchy:

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

Bonds payable activity for the current fiscal year are summarized in the following table:

	January 1, 2025	Additions	Retirements	December 31, 2025
Bonds Payable	$ 253,745,000	$ 80,075,000	$ 9,600,000	$ 324,220,000
Unamortized Premiums	1,132,204	540,741	94,648	1,578,297
Unamortized Discounts	(3,182,187)	(1,036,420)	(147,709)	(4,070,898)
Bonds Payable, Net	$ 251,695,017	$ 79,579,321	$ 9,546,939	$ 321,727,399

Amount Due Within One Year	$ 10,600,000
Amount Due After One Year	311,127,399
Bonds Payable, Net	$ 321,727,399

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2014A	Series 2015	Road Refunding Series 2016
Amounts Outstanding – December 31, 2025	$ 3,125,000	$ 7,195,000	$ 1,205,000
Interest Rates	3.45%	2.75% - 4.00%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2029	September 1, 2026/2040	September 1, 2026/2030
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2024*	September 1, 2023*	September 1, 2025*

	Refunding Series 2016A	Series 2017	Series 2018 Road
Amounts Outstanding – December 31, 2025	$ 7,490,000	$ 13,315,000	$ 6,245,000
Interest Rates	4.00%	2.50% - 4.00%	3.50% - 4.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2032	September 1, 2026/2041	September 1, 2026/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2025*	September 1, 2024*	September 1, 2024*

* Or on any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2015 term bonds maturing on September 1, 2035, and 2040 are subject to mandatory redemption on September 1, 2034, and 2036, respectively. Series 2018 Road term bonds maturing on September 1, 2033 are subject to mandatory redemption on September 1, 2032.

The Series 2014 Refunding Bonds are considered private placement bonds. See the supplementary information for the schedule of future debt service payments on these bonds.

NOTE 3. LONG-TERM DEBT (Continued)

	Road Refunding Series 2020	Series 2020	Series 2020A Road
Amounts Outstanding – December 31, 2025	$ 4,195,000	$ 37,230,000	$ 7,200,000
Interest Rates	3.00% - 3.125%	2.00% - 2.50%	2.00% - 2.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2038	September 1, 2026/2045	September 1, 2026/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2026**	September 1, 2025**	September 1, 2025**

	Refunding Series 2021	Series 2021A	Series 2022 Road
Amounts Outstanding – December 31, 2025	$ 9,990,000	$ 26,990,000	$ 29,900,000
Interest Rates	2.00% - 4.00%	2.00% - 2.75%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2039	September 1, 2026/2048	September 1, 2026/2049
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2026**	September 1, 2027**	September 1, 2028**

**Or on any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2020 Road Refunding term bonds maturing on September 1 2028, 2030, 2034, and 2038 are subject to mandatory redemption beginning September 1, 2027, 2029, 2031, and 2035, respectively. Series 2020 term bonds maturing on September 1 2031, 2041, and 2045 are subject to mandatory redemption beginning September 1, 2030, 2039, and 2042, respectively. Series 2020A Road term bonds maturing on September 1, 2045 are subject to mandatory redemption on September 1, 2041. Series 2021A term bonds maturing on September 1, 2034, 2043, 2045, and 2048 are subject to mandatory redemption on September 1, 2033, 2042, 2044, and 2046, respectively. Series 2022 Road term bonds maturing on September 1, 2045, 2047, and 2049 are subject to mandatory redemption on September 1, 2044, 2046, and 2048, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2023	Series 2023 Road
Amounts Outstanding – December 31, 2025	$ 59,565,000	$ 30,500,000
Interest Rates	4.00% - 5.00%	4.00% - 6.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2052	March 1, 2026/2052
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2030***	March 1, 2030***

	Series 2025	Series 2025A
Amounts Outstanding – December 31, 2025	$ 55,000,000	$ 25,075,000
Interest Rates	4.50% - 5.00%	4.50% - 4.625%
Maturity Dates – Serially Beginning/Ending	March 1, 2028/2055	March 1, 2028/2055
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2031***	March 1, 2031***

***Or on any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2023 term bonds maturing on September 1 2048 and 2052 are subject to mandatory redemption beginning September 1, 2044 and 2049, respectively. Series 2025 term bonds maturing on March 1, 2055 are subject to mandatory redemption beginning March 1, 2049. Series 2025A term bonds maturing on March 1, 2052 and 2055 are subject to mandatory redemption beginning March 1, 2050 and 2053, respectively.

At elections held within the District, the voters of the District have authorized the issuance of $5,389,381,140 principal amount of unlimited tax bonds for utility system improvements, fire protection, navigation improvements, road improvements, rail improvements, and for refunding purposes. As of year end, the District had authorized but unissued bonds totaling $5,007,521,140.

NOTE 3. LONG-TERM DEBT (Continued)

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and certain series of bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of District facilities, as defined in the bond orders.

During the year ended December 31, 2025, the District levied an ad valorem debt service tax rate of $0.69 per $100 of assessed valuation, which resulted in a tax levy of $23,875,527 on the adjusted taxable valuation of $3,445,336,345 for the 2025 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

Debt service requirements on the outstanding bonds at year end are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 10,600,000	$ 12,134,873	$ 22,734,873
2027	10,700,000	11,978,485	22,678,485
2028	12,710,000	11,560,070	24,270,070
2029	12,815,000	11,093,414	23,908,414
2030	12,850,000	10,620,988	23,470,988
2031-2035	65,170,000	46,434,588	111,604,588
2036-2040	68,440,000	34,862,045	103,302,045
2041-2045	61,545,000	22,338,365	83,883,365
2046-2050	44,890,000	11,097,679	55,987,679
2051-2055	24,500,000	2,532,500	27,032,500
	$ 324,220,000	$ 174,653,007	$ 498,873,007

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds. The bond orders state that the District is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year-end, the carrying amount of the District's deposits was $2,793,471 and the bank balance was $2,913,397. Of the bank balance, $2,841,762 was covered by federal depository insurance and the remaining was covered by pledged collateral held in the District's name by a third party. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits at year end are summarized in the following table:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 913,176	$ 1,410,000	$ 2,323,176
DEBT SERVICE FUND		470,000	470,000
CAPITAL PROJECTS FUND	295		295
TOTAL DEPOSITS	$ 913,471	$ 1,880,000	$ 2,793,471

Investments

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Certificates of deposit are valued at acquisition cost at the date of purchase.

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

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 10,746,935	$ 10,746,935
Certificates of Deposit	1,410,000	1,410,000
DEBT SERVICE FUND		
TexPool	15,246,124	15,246,124
Certificates of Deposit	470,000	470,000
CAPITAL PROJECTS FUND		
TexPool	19,240,700	19,240,700
TOTAL INVESTMENTS	$ 47,113,759	$ 47,113,759

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in TexPool was rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current year are summarized in the following table:

	January 1, 2025	Increases	Decreases	December 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 92,600,763	$ 20,327,344	$	$ 112,928,107
Construction in Progress		23,239,405	23,041,140	198,265
Total Capital Assets Not Being Depreciated	$ 92,600,763	$ 43,566,749	$ 23,041,140	$ 113,126,372
Capital Assets Subject to Depreciation				
Roads	$ 41,894,224	$ 1,515,777	$	$ 43,410,001
Barge Terminal	18,998,588			18,998,588
Water System	20,537,521	4,731,790		25,269,311
Wastewater System	29,110,476	871,356		29,981,832
Drainage System	84,213,384	19,953,636		104,167,020
Total Capital Assets Subject to Depreciation	$ 194,754,193	$ 27,072,559	$ - 0 -	$ 221,826,752
Accumulated Depreciation				
Roads	$ 9,065,333	$ 1,903,877	$	$ 10,969,210
Barge Terminal	6,866,523	766,026		7,632,549
Water System	3,167,660	590,409		3,758,069
Wastewater System	4,160,133	720,816		4,880,949
Drainage System	8,997,589	2,707,247		11,704,836
Total Accumulated Depreciation	$ 32,257,238	$ 6,688,375	$ - 0 -	$ 38,945,613
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 162,496,955	$ 20,384,184	$ - 0 -	$ 182,881,139
Total Capital Assets, Net of Accumulated Depreciation	$ 255,097,718	$ 63,950,933	$ 23,041,140	$ 296,007,511

NOTE 7. UNREIMBURSED COSTS

The District has executed financing agreements with a developer which call for the developer to make certain payments on behalf of the District for costs associated with the construction of certain facilities. The District anticipates reimbursing the developer from proceeds of future bond sales or other lawfully available funds. The following table summarizes current year activity for amounts owed to the developer:

Due to Developer, beginning of year	$	14,946,247
Additions		3,731,419
Reimbursements		(7,940,451)
Due to Developer, end of year	$	10,737,215

NOTE 8. MAINTENANCE TAX

On February 7, 2004, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount on the assessed valuation of taxable property within the District. During the current year, the District levied an ad valorem maintenance tax rate of $0.03 per $100 of assessed valuation, which resulted in a tax levy of $1,038,066 on the adjusted taxable valuation of $3,445,336,345 for the 2025 tax year. The levy of 2025 taxes are for the purpose of meeting the District's cost of operations in the 2026 fiscal year, therefore, tax revenues have been deferred to the extent of the entire 2025 tax levy.

NOTE 9. PAYMENTS IN LIEU OF TAXES

The District entered into agreements with various third parties who purchase land within the District that will be served by the District's utility infrastructure. As part of these agreements, a minimum taxable assessed value ("MTAV") is determined and if the actual taxable assessed valuation ("ATAV") is less than the MTAV, the third party pays the District the difference calculated as the MTAV minus the ATAV multiplied by the then applicable tax rate for the District. Payments are due and payable when invoiced by the District. For the year ending December 31, 2025, the District recognized $728,305 of revenue related to these agreements and deferred $419,537 that was collected during the year.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and no settlements have exceeded coverage in the past three years.

NOTE 11. INTERLOCAL AGREEMENTS

The District entered into an Agreement for Emergency Protection Services with the City of Baytown (the "City") whereby the City will provide firefighting support and backup protection to the District's territory located within the City. During the current fiscal year, the District recorded expenditures of $1,293,634 in accordance with the terms of this Agreement.

NOTE 12. WATER SUPPLY AGREEMENT

On May 23, 2007, the District entered into a Water Supply Agreement with the City of Baytown, Texas. This agreement was amended on January 14, 2011, November 19, 2020, and May 27, 2021. The City provides water to the District to service the area within its boundaries. The District pays the City in monthly installments a service charge equal to the City's minimum charge and additional charges, if any, applied to the actual quantity of treated water delivered to the District during the month in question. The charge shall be calculated on the basis of the metered water use for each user connected to the District's system, consistent with the provisions for such calculation found in the City's water service rate ordinance, which may be amended from time to time; provided, however, it is expressly understood and agreed that the amounts charged to the District shall be the amounts charged to customers inside the City multiplied by 1.2 and that such multiplier shall remain in effect for a period of five years. In addition, the District pays the City impact fees, which are charged against new development with the District's service area in order to generate revenue for funding or recouping the cost of capital improvements or facility expansions necessitated by and attributable to new development. The impact fees may be adjusted from time to time by the City and the District is required to pay the rate in effect at the time payment is due. During the current fiscal year, the District incurred costs of $5,801,008 in relation to this agreement.

This agreement is in force and effect from the date of execution by the City through May 22, 2042, provided that: (i) the City's contract with the Baytown Area Water Authority (the "Authority") for the purchase of treated water in sufficient quantities to supply the District under the terms and conditions in effect at the time of the execution of this agreement remain unchanged; and (ii) the Authority's contract with the City of Houston for the purchase of raw water in sufficient quantities to supply the Authority under the terms and conditions in effect at the time of the execution of this agreement remain unchanged. Should the City's contract with the Authority or the Authority's contract with the City of Houston be terminated for any reason or should the City become legally unable to supply the District, then this agreement will terminate automatically at the time of such termination or inability.

NOTE 13. BOND ISSUANCES

On June 12, 2025, the District closed on $55,000,000 of Unlimited Tax Bonds, Series 2025. Interest rates for the bonds range from 4.50% to 5.00% and have a final principal maturity of March 1, 2055. Proceeds from the bonds were used to pay off the Series 2024 Bond Anticipation Note ("BAN") and to pay related BAN interest costs, to finance costs of the acquisition and construction of utility facilities serving the District and pay developer interest costs, and to pay for bond issuance costs.

On November 12, 2025, the District closed on $25,075,000 of Unlimited Tax Bonds, Series 2025A. Interest rates for the bonds range from 4.50% to 4.625% and have a final principal maturity of March 1, 2055. Proceeds from the bonds were used to finance costs of the acquisition and construction of utility facilities serving the District and pay developer interest costs and to pay for bond issuance costs.

NOTE 14. USE OF SURPLUS BOND AND BAN PROCEEDS

On January 8, 2025, the District approved a payment from surplus Series 2024 bond anticipation note ("BAN") proceeds totaling $406,997. These funds were used to reimburse the developer for project costs.

On March 26, 2025, the District approved a payment from surplus Series 2020 bond proceeds totaling $140,097. These funds were used to reimburse the developer for project costs and developer interest costs.

On August 13, 2025, the District approved a payment from surplus funds from the Series 2007 Unlimited Tax Bonds, Series 2014 Unlimited Tax Bonds, Series 2017 Unlimited Tax Bonds, Series 2020 Unlimited Tax Bonds, Series 2021A Unlimited Tax Bonds and Series 2023 Unlimited Tax Bonds totaling $6,492,005. These funds were used to reimburse the developer for project costs and developer interest costs.

On August 13, 2025, the District approved a payment from surplus Series 2023 road bonds totaling $609,917. These funds were used to reimburse the developer for road project costs and developer interest costs.

On August 13, 2025, the District approved a payment from surplus Series 2022 road bonds totaling $1,044,088. These funds were used to reimburse the developer for road project costs and developer interest costs.

On October 8, 2025, the District approved a payment from surplus road bond funds totaling $6,960,000. These funds were used to reimburse the developer for land acquisition costs related to roads.

NOTE 15. GRANT AGREEMENT

On October 1, 2023, the District was awarded a grant in the amount of $10,893,901 with the Port Infrastructure Development Program. Proceeds from the grant will be used for 1) expansion and upgrade of the existing barge dock, including dredging the existing drainage channel and adding bulkheads to create an additional 800 feet of new fender line that will result in six additional 8-hour barge slots and 2) construction of a heavy haul road connecting the barge dock to the Cedar Port Industrial Park tenant area. As of December 31, 2025, no funds from this grant have been received.

NOTE 16. SUBSEQUENT EVENTS

On January 14, 2026, the District approved a Resolution Authorizing Execution of an Advanced Funding Agreement ("AFA") with the Texas Department of Transportation ("TXDOT") which was executed on February 9, 2026. The AFA describes the grant awarded to the District in an amount not to exceed $5,286,453 from the Texas Mobility Fund to pay for a portion of the public transportation project to reconstruct and widen FM 1405 with intersection improvements at SH 99 and FM 1405 (the "Project"). The District, pursuant to the AFA, commits to match the funds granted by TXDOT to complete the Project. The AFA remains in effect until the Project is completed and all excess funds are disbursed, unless earlier terminated as provided in the AFA. The District will receive funds on a reimbursement basis; reimbursements may not be requested more frequently than monthly and no later than 90 days after costs are incurred.

On February 11, 2026, the District approved a payment from surplus Series 2025A bond proceeds totaling $1,959,923. These funds were used finance costs of the acquisition and construction of drainage facilities serving the District and pay developer interest costs.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 929,778	$ 929,722	$ (56)
Barge Terminal	851,000	1,160,603	309,603
Payment in Lieu of Taxes	475,000	728,305	253,305
Water Service	6,240,000	6,423,697	183,697
Wastewater Service	1,800,000	1,945,207	145,207
Penalty and Interest	145,000	418,642	273,642
Connection, Inspection, and Service Fees	523,200	320,227	(202,973)
Investment and Miscellaneous Revenues	373,300	345,929	(27,371)
TOTAL REVENUES	$ 11,337,278	$ 12,272,332	$ 935,054
EXPENDITURES			
Service Operations:			
Professional Fees	$ 515,000	$ 488,764	$ 26,236
Contracted Services	2,351,240	2,223,452	127,788
Purchased Water Service	5,175,000	5,801,008	(626,008)
Barge Terminal	879,740	922,178	(42,438)
Utilities	207,200	173,031	34,169
Repairs and Maintenance	887,440	1,125,508	(238,068)
Other	703,670	499,360	204,310
Capital Outlay		498,266	(498,266)
TOTAL EXPENDITURES	$ 10,719,290	$ 11,731,567	$ (1,012,277)
NET CHANGE IN FUND BALANCE	$ 617,988	$ 540,765	$ (77,223)
FUND BALANCE - JANUARY 1, 2025	7,451,160	7,451,160	
FUND BALANCE - DECEMBER 31, 2025	$ 8,069,148	$ 7,991,925	$ (77,223)

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2025

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order effective October 8, 2025.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 19.11	-0-	N	$ 15.56	-0- and up
WASTEWATER:	$ 19.11	-0-	N	$ 10.15	-0- and up
SURCHARGE:	None				

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $ 174.71 Wastewater: $ 120.61

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

a. WATER AND WASTEWATER RETAIL CONNECTIONS:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	5	4	x 1.0	4
<¾"	20	20	x 1.0	20
1"	14	12	x 2.5	30
1½"	21	20	x 5.0	100
2"	64	62	x 8.0	496
3"	14	14	x 15.0	210
4"	9	9	x 25.0	225
6"	6	6	x 50.0	300
8"	19	19	x 80.0	1,520
10" and 12"	2	2	x 115.0	230
Total Water Connections	174	168		3,135
Total Wastewater Connections	86	82	x 1.0	82

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

Gallons billed to customers:	468,134,000	Water Accountability Ratio: 88.7%
Gallons purchased:	527,581,000	From: City of Baytown, Texas

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025

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

Does the District have Debt Service standby fees? Yes ___ No _X_

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _X_ No _____

County in which District is located:

Chambers County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all _X_

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

Entirely _X_ Partly _____ Not at all ____

ETJ in which District is located:

City of Baytown, Texas

Are Board Members appointed by an office outside the District?

Yes _X_ No _____

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2025

PROFESSIONAL FEES:		
Auditing	$	40,000
Engineering		50,129
Legal		375,025
Delinquent Tax Attorney		15,510
Arbitrage		8,100
TOTAL PROFESSIONAL FEES	$	488,764
PURCHASED WATER SERVICE	$	5,801,008
BARGE TERMINAL OPERATIONS	$	922,178
CONTRACTED SERVICES:		
Bookkeeping	$	102,839
Emergency Protection Services		1,391,732
Operations and Billing		282,228
Project Management		225,000
Public Affairs Consultant		221,653
TOTAL CONTRACTED SERVICES	$	2,223,452
UTILITIES	$	173,031
REPAIRS AND MAINTENANCE	$	1,125,508
ADMINISTRATIVE EXPENDITURES:		
Dues	$	53,650
Insurance		52,363
Lease Payments		4,428
Office Supplies and Postage		14,241
Other		52,408
TOTAL ADMINISTRATIVE EXPENDITURES	$	177,090
CAPITAL OUTLAY	$	498,266
TAP CONNECTIONS	$	44,292
OTHER EXPENDITURES:		
Chemicals	$	35,258
Laboratory Fees		49,184
Inspection Fees		48,695
Regulatory Assessment and Permit Fees		133,386
Sludge Hauling		11,455
TOTAL OTHER EXPENDITURES	$	277,978
TOTAL EXPENDITURES	$	11,731,567

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0001	Varies	Daily	$ 6,058,018	$
TexPool	XXXX0006	Varies	Daily	4,688,917	
Certificate of Deposit	XXXX7544	4.25%	09/02/26	235,000	3,284
Certificate of Deposit	XXXX9218	4.05%	04/01/26	235,000	6,232
Certificate of Deposit	XXXX9109	4.00%	04/04/26	235,000	2,266
Certificate of Deposit	XXXX2809	4.15%	09/03/26	235,000	3,153
Certificate of Deposit	XXXX6050	4.25%	09/03/26	235,000	3,256
Certificate of Deposit	XXXX2746	4.15%	05/08/26	235,000	6,333
TOTAL GENERAL FUND				$ 12,156,935	$ 24,524
DEBT SERVICE FUND					
TexPool	XXXX0003	Varies	Daily	$ 11,640,571	$
TexPool	XXXX0005	Varies	Daily	3,605,553	
Certificate of Deposit	XXXX6769	4.00%	01/30/26	235,000	3,966
Certificate of Deposit	XXXX2817	4.15%	08/04/26	235,000	3,981
TOTAL DEBT SERVICE FUND				$ 15,716,124	$ 7,947
CAPITAL PROJECTS FUND					
TexPool	XXXX0002	Varies	Daily	$ 195,919	$
TexPool	XXXX0009	Varies	Daily	3,309,122	
TexPool	XXXX0010	Varies	Daily	3,598,479	
TexPool	XXXX0012	Varies	Daily	2,943,815	
TexPool	XXXX0013	Varies	Daily	9,193,365	
TOTAL CAPITAL PROJECTS FUND				$ 19,240,700	$ - 0 -
TOTAL - ALL FUNDS				$ 47,113,759	$ 32,471

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JANUARY 1, 2024	$ 725,223		$ 16,639,538	
Adjustments to Beginning Balance	(21,045)	$ 704,178	(477,633)	$ 16,161,905
Original 2025 Tax Levy	$ 1,036,305		$ 23,835,014	
Adjustment to 2025 Tax Levy	1,761	1,038,066	40,513	23,875,527
TOTAL TO BE ACCOUNTED FOR		$ 1,742,244		$ 40,037,432
TAX COLLECTIONS:				
Prior Years	$ 699,314		$ 16,090,639	
Current Year	284,675	983,989	6,547,516	22,638,155
TAXES RECEIVABLE - DECEMBER 31, 2024		$ 758,255		$ 17,399,277
TAXES RECEIVABLE BY YEAR:				
2025		$ 753,391		$ 17,328,011
2024		2,483		57,119
2023		-		-
2022		113		1,921
2021		-		-
2020 and prior		2,268		12,226
TOTAL		$ 758,255		$ 17,399,277

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	$ 721,243,860	$ 355,165,520	$ 304,538,190	$ 257,896,950
Improvements	3,513,630	3,497,520	833,826,241	666,838,430
Personal Property	3,418,898,553	3,065,092,983	1,629,778,365	1,122,409,386
Exemptions	(698,319,698)	(316,069,334)	(324,914,486)	(258,253,928)
TOTAL PROPERTY VALUATIONS	$ 3,445,336,345	$ 3,107,686,689	$ 2,443,228,310	$ 1,788,890,838
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.69	$ 0.69	$ 0.69	$ 0.68
Maintenance	0.03	0.03	0.03	0.04
TOTAL TAX RATES PER $100 VALUATION	$ 0.72	$ 0.72	$ 0.72	$ 0.72
ADJUSTED TAX LEVY*	$ 24,913,593	$ 22,793,509	$ 17,591,244	$ 12,880,014
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	27.42 %	99.74 %	100.00 %	99.98 %

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

Maintenance Tax – Unlimited tax rate per $100 of assessed valuation approved by voters on February 7, 2004.

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	REFUNDING SERIES-2014A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 745,000	$ 107,812	$ 852,812
2027	765,000	82,110	847,110
2028	795,000	55,718	850,718
2029	820,000	28,290	848,290
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	$ 3,125,000	$ 273,930	$ 3,398,930

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2015		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 450,000	$ 254,394	$ 704,394
2027	450,000	242,019	692,019
2028	450,000	228,519	678,519
2029	450,000	215,019	665,019
2030	475,000	200,956	675,956
2031	475,000	185,519	660,519
2032	475,000	170,081	645,081
2033	475,000	154,050	629,050
2034	475,000	137,425	612,425
2035	475,000	119,613	594,613
2036	475,000	101,800	576,800
2037	475,000	82,800	557,800
2038	475,000	63,800	538,800
2039	550,000	44,800	594,800
2040	570,000	22,800	592,800
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	$ 7,195,000	$ 2,223,595	$ 9,418,595

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	ROAD REFUNDING SERIES-2016		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 225,000	$ 48,200	$ 273,200
2027	230,000	39,200	269,200
2028	240,000	30,000	270,000
2029	250,000	20,400	270,400
2030	260,000	10,400	270,400
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	$ 1,205,000	$ 148,200	$ 1,353,200

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	REFUNDING SERIES-2016A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 955,000	$ 299,600	$ 1,254,600
2027	995,000	261,400	1,256,400
2028	1,035,000	221,600	1,256,600
2029	1,070,000	180,200	1,250,200
2030	1,105,000	137,400	1,242,400
2031	1,145,000	93,200	1,238,200
2032	1,185,000	47,400	1,232,400
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	$ 7,490,000	$ 1,240,800	$ 8,730,800

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2017		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 700,000	$ 458,363	$ 1,158,363
2027	700,000	440,862	1,140,862
2028	700,000	422,488	1,122,488
2029	700,000	403,237	1,103,237
2030	805,000	382,238	1,187,238
2031	805,000	357,081	1,162,081
2032	805,000	330,919	1,135,919
2033	900,000	303,750	1,203,750
2034	900,000	272,250	1,172,250
2035	900,000	239,625	1,139,625
2036	900,000	207,000	1,107,000
2037	900,000	173,250	1,073,250
2038	900,000	139,500	1,039,500
2039	900,000	105,750	1,005,750
2040	900,000	70,875	970,875
2041	900,000	36,000	936,000
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	$ 13,315,000	$ 4,343,188	$ 17,658,188

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2018 ROAD		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 350,000	$ 248,400	$ 598,400
2027	350,000	236,150	586,150
2028	350,000	223,900	573,900
2029	350,000	210,775	560,775
2030	350,000	197,650	547,650
2031	350,000	183,650	533,650
2032	350,000	169,650	519,650
2033	350,000	155,650	505,650
2034	380,000	141,650	521,650
2035	380,000	126,450	506,450
2036	380,000	111,250	491,250
2037	380,000	96,050	476,050
2038	385,000	80,850	465,850
2039	385,000	65,450	450,450
2040	385,000	49,088	434,088
2041	385,000	32,725	417,725
2042	385,000	16,362	401,362
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	$ 6,245,000	$ 2,345,700	$ 8,590,700

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	ROAD REFUNDING SERIES-2020		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 260,000	$ 127,713	$ 387,713
2027	270,000	119,912	389,912
2028	280,000	111,813	391,813
2029	290,000	103,412	393,412
2030	300,000	94,713	394,713
2031	310,000	85,712	395,712
2032	320,000	76,413	396,413
2033	335,000	66,812	401,812
2034	340,000	56,763	396,763
2035	355,000	46,562	401,562
2036	365,000	35,469	400,469
2037	380,000	24,062	404,062
2038	390,000	12,188	402,188
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	$ 4,195,000	$ 961,544	$ 5,156,544

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2020		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 1,450,000	$ 821,069	$ 2,271,069
2027	1,450,000	792,069	2,242,069
2028	1,450,000	763,069	2,213,069
2029	1,455,000	734,068	2,189,068
2030	1,950,000	704,969	2,654,969
2031	1,950,000	665,969	2,615,969
2032	1,950,000	626,969	2,576,969
2033	1,950,000	587,968	2,537,968
2034	1,950,000	548,969	2,498,969
2035	1,950,000	509,969	2,459,969
2036	1,950,000	468,532	2,418,532
2037	1,975,000	427,094	2,402,094
2038	1,975,000	382,656	2,357,656
2039	1,975,000	338,219	2,313,219
2040	1,975,000	291,312	2,266,312
2041	1,975,000	244,406	2,219,406
2042	1,975,000	197,500	2,172,500
2043	1,975,000	148,125	2,123,125
2044	1,975,000	98,750	2,073,750
2045	1,975,000	49,375	2,024,375
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	$ 37,230,000	$ 9,401,057	$ 46,631,057

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2020A ROAD		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 275,000	$ 174,000	$ 449,000
2027	275,000	168,500	443,500
2028	275,000	163,000	438,000
2029	275,000	157,500	432,500
2030	325,000	152,000	477,000
2031	325,000	145,500	470,500
2032	325,000	139,000	464,000
2033	350,000	132,094	482,094
2034	375,000	124,218	499,218
2035	375,000	115,782	490,782
2036	375,000	106,875	481,875
2037	375,000	97,500	472,500
2038	375,000	88,125	463,125
2039	400,000	78,750	478,750
2040	400,000	68,250	468,250
2041	400,000	57,750	457,750
2042	425,000	46,750	471,750
2043	425,000	35,062	460,062
2044	425,000	23,375	448,375
2045	425,000	11,688	436,688
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	$ 7,200,000	$ 2,085,719	$ 9,285,719

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	REFUNDING SERIES-2021		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 620,000	$ 218,163	$ 838,163
2027	645,000	193,363	838,363
2028	665,000	180,463	845,463
2029	685,000	167,163	852,163
2030	710,000	153,462	863,462
2031	725,000	139,262	864,262
2032	750,000	124,762	874,762
2033	770,000	109,762	879,762
2034	795,000	94,362	889,362
2035	820,000	78,462	898,462
2036	840,000	62,062	902,062
2037	865,000	44,212	909,212
2038	540,000	24,750	564,750
2039	560,000	12,600	572,600
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2051			
2052			
2053			
2054			
2055			
	$ 9,990,000	$ 1,602,848	$ 11,592,848

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2021A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 970,000	$ 625,900	$ 1,595,900
2027	970,000	606,500	1,576,500
2028	970,000	587,100	1,557,100
2029	970,000	567,700	1,537,700
2030	970,000	548,300	1,518,300
2031	1,230,000	528,900	1,758,900
2032	1,230,000	504,300	1,734,300
2033	1,230,000	479,700	1,709,700
2034	1,230,000	455,100	1,685,100
2035	1,230,000	430,500	1,660,500
2036	1,230,000	405,900	1,635,900
2037	1,230,000	379,762	1,609,762
2038	1,230,000	352,087	1,582,087
2039	1,230,000	322,875	1,552,875
2040	1,230,000	292,125	1,522,125
2041	1,230,000	261,375	1,491,375
2042	1,230,000	230,625	1,460,625
2043	1,230,000	198,338	1,428,338
2044	1,230,000	166,050	1,396,050
2045	1,230,000	133,763	1,363,763
2046	1,230,000	101,475	1,331,475
2047	1,230,000	67,650	1,297,650
2048	1,230,000	33,825	1,263,825
2049			
2050			
2051			
2052			
2053			
2054			
2055			
	$ 26,990,000	$ 8,279,850	$ 35,269,850

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2022 ROAD		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 1,000,000	$ 1,196,000	$ 2,196,000
2027	1,000,000	1,156,000	2,156,000
2028	1,000,000	1,116,000	2,116,000
2029	1,000,000	1,076,000	2,076,000
2030	1,100,000	1,036,000	2,136,000
2031	1,200,000	992,000	2,192,000
2032	1,200,000	944,000	2,144,000
2033	1,200,000	896,000	2,096,000
2034	1,200,000	848,000	2,048,000
2035	1,200,000	800,000	2,000,000
2036	1,200,000	752,000	1,952,000
2037	1,350,000	704,000	2,054,000
2038	1,350,000	650,000	2,000,000
2039	1,350,000	596,000	1,946,000
2040	1,350,000	542,000	1,892,000
2041	1,350,000	488,000	1,838,000
2042	1,350,000	434,000	1,784,000
2043	1,350,000	380,000	1,730,000
2044	1,350,000	326,000	1,676,000
2045	1,350,000	272,000	1,622,000
2046	1,350,000	218,000	1,568,000
2047	1,350,000	164,000	1,514,000
2048	1,375,000	110,000	1,485,000
2049	1,375,000	55,000	1,430,000
2050			
2051			
2052			
2053			
2054			
2055			
	$ 29,900,000	$ 15,751,000	$ 45,651,000

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2023		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 1,700,000	$ 2,610,225	$ 4,310,225
2027	1,700,000	2,525,225	4,225,225
2028	1,700,000	2,440,225	4,140,225
2029	1,700,000	2,355,225	4,055,225
2030	1,700,000	2,270,225	3,970,225
2031	1,700,000	2,185,225	3,885,225
2032	1,700,000	2,117,225	3,817,225
2033	2,100,000	2,049,225	4,149,225
2034	2,100,000	1,965,225	4,065,225
2035	2,100,000	1,881,225	3,981,225
2036	2,100,000	1,797,225	3,897,225
2037	2,165,000	1,713,225	3,878,225
2038	2,450,000	1,626,625	4,076,625
2039	2,450,000	1,528,625	3,978,625
2040	2,450,000	1,424,499	3,874,499
2041	2,450,000	1,320,375	3,770,375
2042	2,450,000	1,216,250	3,666,250
2043	2,450,000	1,112,126	3,562,126
2044	2,450,000	1,008,000	3,458,000
2045	2,450,000	897,750	3,347,750
2046	2,500,000	787,500	3,287,500
2047	2,500,000	675,000	3,175,000
2048	2,500,000	562,500	3,062,500
2049	2,500,000	450,000	2,950,000
2050	2,500,000	337,500	2,837,500
2051	2,500,000	225,000	2,725,000
2052	2,500,000	112,500	2,612,500
2053			
2054			
2055			
	$ 59,565,000	$ 39,193,950	$ 98,758,950

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2023 ROAD		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2026	$ 900,000	$ 1,454,125	$ 2,354,125
2027	900,000	1,397,875	2,297,875
2028	900,000	1,341,625	2,241,625
2029	900,000	1,285,375	2,185,375
2030	900,000	1,229,125	2,129,125
2031	900,000	1,183,000	2,083,000
2032	900,000	1,145,875	2,045,875
2033	1,100,000	1,103,375	2,203,375
2034	1,100,000	1,055,938	2,155,938
2035	1,100,000	1,007,813	2,107,813
2036	1,200,000	956,750	2,156,750
2037	1,200,000	902,750	2,102,750
2038	1,200,000	848,000	2,048,000
2039	1,200,000	792,500	1,992,500
2040	1,200,000	736,250	1,936,250
2041	1,200,000	679,250	1,879,250
2042	1,200,000	622,250	1,822,250
2043	1,250,000	564,063	1,814,063
2044	1,250,000	504,688	1,754,688
2045	1,250,000	445,313	1,695,313
2046	1,250,000	385,938	1,635,938
2047	1,250,000	326,562	1,576,562
2048	1,250,000	267,187	1,517,187
2049	1,250,000	207,811	1,457,811
2050	1,250,000	148,437	1,398,437
2051	1,250,000	89,062	1,339,062
2052	1,250,000	29,688	1,279,688
2053			
2054			
2055			
	$ 30,500,000	$ 20,710,625	$ 51,210,625

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2025		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$	$ 2,569,400	$ 2,569,400
2027		2,569,400	2,569,400
2028	1,280,000	2,540,600	3,820,600
2029	1,280,000	2,483,000	3,763,000
2030	1,280,000	2,425,400	3,705,400
2031	1,280,000	2,367,800	3,647,800
2032	1,280,000	2,310,200	3,590,200
2033	1,280,000	2,252,600	3,532,600
2034	1,480,000	2,190,500	3,670,500
2035	1,615,000	2,120,863	3,735,863
2036	1,615,000	2,048,188	3,663,188
2037	1,615,000	1,975,513	3,590,513
2038	1,770,000	1,899,350	3,669,350
2039	1,955,000	1,815,538	3,770,538
2040	2,290,000	1,720,025	4,010,025
2041	2,290,000	1,616,975	3,906,975
2042	2,290,000	1,513,925	3,803,925
2043	2,290,000	1,410,875	3,700,875
2044	2,290,000	1,307,825	3,597,825
2045	2,290,000	1,204,775	3,494,775
2046	2,290,000	1,101,725	3,391,725
2047	2,360,000	994,150	3,354,150
2048	2,360,000	882,050	3,242,050
2049	2,360,000	767,000	3,127,000
2050	2,360,000	649,000	3,009,000
2051	2,360,000	531,000	2,891,000
2052	2,360,000	413,000	2,773,000
2053	2,360,000	295,000	2,655,000
2054	2,360,000	177,000	2,537,000
2055	2,360,000	59,000	2,419,000
	$ 55,000,000	$ 46,211,677	$ 101,211,677

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

	SERIES-2025A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$	$ 921,509	$ 921,509
2027		1,147,900	1,147,900
2028	620,000	1,133,950	1,753,950
2029	620,000	1,106,050	1,726,050
2030	620,000	1,078,150	1,698,150
2031	620,000	1,050,250	1,670,250
2032	620,000	1,022,350	1,642,350
2033	620,000	994,450	1,614,450
2034	795,000	962,613	1,757,613
2035	785,000	927,063	1,712,063
2036	785,000	891,738	1,676,738
2037	785,000	856,413	1,641,413
2038	730,000	822,325	1,552,325
2039	845,000	786,888	1,631,888
2040	1,010,000	745,150	1,755,150
2041	1,010,000	699,069	1,709,069
2042	1,010,000	652,356	1,662,356
2043	1,010,000	605,644	1,615,644
2044	1,010,000	558,931	1,568,931
2045	1,110,000	509,906	1,619,906
2046	1,110,000	458,569	1,568,569
2047	1,040,000	408,850	1,448,850
2048	1,040,000	360,750	1,400,750
2049	1,040,000	312,650	1,352,650
2050	1,040,000	264,550	1,304,550
2051	1,040,000	216,450	1,256,450
2052	1,040,000	168,350	1,208,350
2053	1,040,000	120,250	1,160,250
2054	1,040,000	72,150	1,112,150
2055	1,040,000	24,050	1,064,050
	$ 25,075,000	$ 19,879,324	$ 44,954,324

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

Due During Fiscal Years Ending December 31	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 10,600,000	$ 12,134,873	$ 22,734,873
2027	10,700,000	11,978,485	22,678,485
2028	12,710,000	11,560,070	24,270,070
2029	12,815,000	11,093,414	23,908,414
2030	12,850,000	10,620,988	23,470,988
2031	13,015,000	10,163,068	23,178,068
2032	13,090,000	9,729,144	22,819,144
2033	12,660,000	9,285,436	21,945,436
2034	13,120,000	8,853,013	21,973,013
2035	13,285,000	8,403,927	21,688,927
2036	13,415,000	7,944,789	21,359,789
2037	13,695,000	7,476,631	21,171,631
2038	13,770,000	6,990,256	20,760,256
2039	13,800,000	6,487,995	20,287,995
2040	13,760,000	5,962,374	19,722,374
2041	13,190,000	5,435,925	18,625,925
2042	12,315,000	4,930,018	17,245,018
2043	11,980,000	4,454,233	16,434,233
2044	11,980,000	3,993,619	15,973,619
2045	12,080,000	3,524,570	15,604,570
2046	9,730,000	3,053,207	12,783,207
2047	9,730,000	2,636,212	12,366,212
2048	9,755,000	2,216,312	11,971,312
2049	8,525,000	1,792,461	10,317,461
2050	7,150,000	1,399,487	8,549,487
2051	7,150,000	1,061,512	8,211,512
2052	7,150,000	723,538	7,873,538
2053	3,400,000	415,250	3,815,250
2054	3,400,000	249,150	3,649,150
2055	3,400,000	83,050	3,483,050
	$ 324,220,000	$ 174,653,007	$ 498,873,007

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
DECEMBER 31, 2025

Description	Original Bonds Issued	Bonds Outstanding January 1, 2025
Chambers County Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2014A	$ 7,390,000	$ 3,840,000
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2015	12,180,000	7,645,000
Chambers County Improvement District No. 1 Unlimited Tax Road Refunding Bonds - Series 2016	2,955,000	1,420,000
Chambers County Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2016A	14,565,000	8,420,000
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2017	18,915,000	14,015,000
Chambers County Improvement District No. 1 Unlimited Tax Road Bonds - Series 2018	9,245,000	6,595,000
Chambers County Improvement District No. 1 Unlimited Tax Road Refunding Bonds - Series 2020	5,185,000	4,450,000
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2020	43,030,000	38,680,000
Chambers County Improvement District No. 1 Unlimited Tax Road Bonds - Series 2020A	8,300,000	7,475,000
Chambers County Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2021	12,140,000	10,580,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	December 31, 2025	Paying Agent
$	$ 715,000	$ 132,480	$ 3,125,000	Regions Bank Birmingham, AL
	450,000	266,206	7,195,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	215,000	54,650	1,205,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	930,000	327,500	7,490,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	700,000	474,112	13,315,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	350,000	260,650	6,245,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	255,000	135,362	4,195,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,450,000	850,068	37,230,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	275,000	179,500	7,200,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	590,000	241,763	9,990,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
DECEMBER 31, 2025

Description	Original Bonds Issued	Bonds Outstanding January 1, 2025
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2021A	$ 29,900,000	$ 27,960,000
Chambers County Improvement District No. 1 Unlimited Tax Road Bonds - Series 2022	32,900,000	30,900,000
Cedar Port Navigation and Improvement District Unlimited Tax Bonds - Series 2023	61,265,000	61,265,000
Cedar Port Navigation and Improvement District Unlimited Tax Road Bonds - Series 2023	30,500,000	30,500,000
Cedar Port Navigation and Improvement District Unlimited Tax Bonds - Series 2025	55,000,000	
Cedar Port Navigation and Improvement District Unlimited Tax Bonds - Series 2025A	25,075,000	
TOTAL	$ 368,545,000	$ 253,745,000

District voters have authorized the issuance of bonds totaling $5,389,381,140 which may be issued for purposes as more fully discussed in Note 3. The District has $5,007,521,140 of authorized but unissued bonds at year end.

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

Debt Service Fund investment balances as of December 31, 2025:	$ 15,716,124
Average annual debt service payment for remaining term of all debt:	$ 16,629,100

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	December 31, 2025	Paying Agent
$	$ 970,000	$ 645,300	$ 26,990,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,000,000	1,236,000	29,900,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,700,000	2,695,225	59,565,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		1,482,250	30,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
55,000,000		563,842	55,000,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
25,075,000			25,075,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ 80,075,000	$ 9,600,000	$ 9,544,908	$ 324,220,000	

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 929,722	$ 751,382	$ 698,531
Barge Terminal	1,160,603	1,290,294	890,301
Payment in Lieu of Taxes	728,305	543,653	555,552
Water Service	6,423,697	4,661,770	4,058,503
Wastewater Service	1,945,207	1,830,383	1,274,017
Penalty and Interest	418,642	236,748	381,337
Connection, Inspection, and Service Fees	320,227	1,189,278	1,346,717
Grant Revenues			3,000,000
Investment and Miscellaneous Revenues	345,929	465,556	322,565
TOTAL REVENUES	$ 12,272,332	$ 10,969,064	$ 12,527,523
EXPENDITURES			
Professional Fees	$ 488,764	$ 637,359	$ 529,381
Contracted Services	2,223,452	2,368,603	1,561,066
Purchased Water Service	5,801,008	5,200,365	4,553,748
Barge Terminal	922,178	1,154,517	333,793
Utilities	173,031	173,198	115,884
Repairs, Maintenance, and Capital Outlay	1,623,774	977,398	5,041,992
Other	499,360	784,822	692,301
TOTAL EXPENDITURES	$ 11,731,567	$ 11,296,262	$ 12,828,165
NET CHANGE IN FUND BALANCE	$ 540,765	$ (327,198)	$ (300,642)
BEGINNING FUND BALANCE	7,451,160	7,778,358	8,079,000
ENDING FUND BALANCE	$ 7,991,925	$ 7,451,160	$ 7,778,358

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
$ 546,803	$ 832,714	7.6 %	6.8 %	5.6 %	7.0 %	16.9 %
1,267,501	792,137	9.5	11.8	7.1	16.1	16.0
619,453	508,702	5.9	5.0	4.4	7.9	10.3
2,593,924	1,546,048	52.3	42.5	32.4	32.9	31.3
636,360	362,106	15.9	16.7	10.2	8.1	7.3
209,450	127,094	3.4	2.2	3.0	2.7	2.6
1,792,829	694,711	2.6	10.8	10.8	22.8	14.1
				23.9		
197,477	75,461	2.8	4.2	2.6	2.5	1.5
$ 7,863,797	$ 4,938,973	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 372,528	$ 410,880	4.0 %	5.8 %	4.3 %	4.7 %	8.3 %
1,121,386	772,162	18.1	21.6	12.5	14.3	15.6
2,444,513	1,076,078	47.3	47.4	36.3	31.1	21.8
340,994	307,090	7.5	10.5	2.7	4.3	6.2
115,380	119,081	1.4	1.6	0.9	1.5	2.4
4,321,023	1,112,222	13.2	8.9	40.2	54.9	22.5
763,167	342,714	4.1	7.2	5.5	9.7	6.9
$ 9,478,991	$ 4,140,227	95.6 %	103.0 %	102.4 %	120.5 %	83.7 %
$ (1,615,194)	$ 798,746	4.4 %	(3.0) %	(2.4) %	(20.5) %	16.3 %
9,694,194	8,895,448					
$ 8,079,000	$ 9,694,194					

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	2025	2024	2023
REVENUES			
Property Taxes	$ 21,204,465	$ 17,253,514	$ 11,876,006
Investment and Miscellaneous Revenues	900,193	892,475	726,415
TOTAL REVENUES	$ 22,104,658	$ 18,145,989	$ 12,602,421
EXPENDITURES			
Tax Collection Expenditures	$ 196,666	$ 161,790	$ 70,636
Debt Service Principal	9,600,000	7,835,000	7,755,000
Debt Service Interest and Fees	9,555,558	8,696,536	5,204,639
Bond Issuance Costs			
TOTAL EXPENDITURES	$ 19,352,224	$ 16,693,326	$ 13,030,275
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 2,752,434	$ 1,452,663	$ (427,854)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$	$	$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES, NET	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 2,752,434	$ 1,452,663	$ (427,854)
BEGINNING FUND BALANCE	10,318,484	8,865,821	9,293,675
ENDING FUND BALANCE	$ 13,070,918	$ 10,318,484	$ 8,865,821
TOTAL ACTIVE RETAIL WATER CONNECTIONS	168	162	148
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	82	82	79

See accompanying independent auditor's report.

2022	2021	2025	2024	2023	2022	2021
$ 9,056,702	$ 8,603,685	95.9 %	95.1 %	94.2 %	98.0 %	100.0 %
180,719	2,848	4.1	4.9	5.8	2.0	
$ 9,237,421	$ 8,606,533	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 54,530	$ 73,021	0.9 %	0.8 %	0.6 %	0.6 %	0.8 %
5,675,000	3,805,000	43.4	43.2	61.5	61.4	44.2
3,879,383	3,155,807	43.2	47.9	41.3	42.0	36.7
	379,237					4.4
$ 9,608,913	$ 7,413,065	87.5 %	91.9 %	103.4 %	104.0 %	86.1 %
$ (371,492)	$ 1,193,468	12.5 %	8.1 %	(3.4) %	(4.0) %	13.9 %
$ 651,125	$ 12,140,000					
	(12,108,486)					
	212,723					
$ 651,125	$ 244,237					
$ 279,633	$ 1,437,705					
9,014,042	7,576,337					
$ 9,293,675	$ 9,014,042					
122	92					
67	53					

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2025

District Mailing Address - Cedar Port Navigation and Improvement District
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2025	Expense Reimbursements for the year ended December 31, 2025	Title
William Scott	05/2025 05/2029 (Appointed)	$ -0-	$ -0-	President
Matt Fleming	05/2023 05/2027 (Appointed)	$ -0-	$ -0-	Vice President
Craig Cavalier	05/2023 05/2027 (Appointed)	$ -0-	$ -0-	Secretary
Robert Jones	05/2025 05/2029 (Appointed)	$ -0-	$ -0-	Director
Roger Lambeth	05/2023 05/2027 (Appointed)	$ -0-	$ -0-	Director
Brian Bommer	05/2025 05/2029 (Appointed)	$ -0-	$ -0-	Director
Clayton Henderson	05/2025 05/2029 (Appointed)	$ -0-	$ -0-	Director

Notes: Directors are qualified as required by Local Government Code Section 375.063 and are appointed by the Chambers County Commissioners Court.

Submission date of most recent District Registration: December 26, 2025

See accompanying independent auditor's report.

CEDAR PORT NAVIGATION AND IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2025

Consultants:	Date Hired	Fees/Compensation for the year ended December 31, 2025	Title
Smith, Murdaugh, Little & Bonham, L.L.P.	09/10/03	$ 383,264 $ 1,619,022	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	02/08/06	$ 40,000 $ 94,000	Audit Related Bond Related
Municipal Accounts & Consulting LLC	05/31/22	$ 114,131 $ 8,000	Bookkeeper Bond Related
Barcelona Consulting Services, LLC	07/10/19	$ 225,000	Construction Manager
Masterson Advisors LLC	07/11/18	$ 703,540	Financial Advisor
Mark Burton	05/31/22	$ -0-	Investment Officer
Municipal District Services	03/14/12	$ 934,979	Operator

See accompanying independent auditor's report.