

**AUDUBON WATER CONTROL AND
IMPROVEMENT DISTRICT**
(Montgomery County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: JULY 9, 2026

\$6,500,000
UNLIMITED TAX BONDS
SERIES 2026

BIDS DUE: 9:30 A.M., HOUSTON TIME
BONDS AWARDED: 11:00 A.M., HOUSTON TIME
THURSDAY, AUGUST 13, 2026



PRELIMINARY OFFICIAL STATEMENT DATED JULY 9, 2026

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF AUDUBON WATER CONTROL AND IMPROVEMENT DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District will designate the Bonds as “qualified tax-exempt obligations” for financial institutions. See “LEGAL MATTERS - Qualified Tax-Exempt Obligations.”

NEW ISSUE - Book-Entry Only

Moody’s Investors Service, Inc. (Underlying)... “Baa2”
See “SALE AND DISTRIBUTION OF THE BONDS - Municipal
Bond Insurance and Ratings” herein

\$6,500,000

AUDUBON WATER CONTROL AND IMPROVEMENT DISTRICT
(A Political Subdivision of the State of Texas located within Montgomery County, Texas)
UNLIMITED TAX BONDS, SERIES 2026

Dated: September 1, 2026

Due: September 1, as shown on

Interest Accrual Date: Date of Delivery

the inside cover

Principal of the above bonds (the “Bonds”) is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds accrues from the initial date of delivery (expected September 17, 2026) (the “Date of Delivery”), and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only. The Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of Audubon Water Control and Improvement District (the “District”), as a whole or in part, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner (as defined herein under “THE BONDS”) of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under “BOOK-ENTRY-ONLY SYSTEM”) of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar (as defined herein under “THE BONDS”) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. 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 Direct or Indirect Participant (as defined under “BOOK-ENTRY-ONLY SYSTEM”) acquires an interest in the Bonds, but (i) all rights or ownership must be exercised through DTC and the Book-Entry Only System, and, (ii) except as described herein, notices that are to be given to Registered Owners under the Bond Order (defined herein) will be given only to DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

See Maturity Schedule on the inside cover

The Bonds are the second series of bonds issued by the District for the acquisition or construction of drainage improvements to provide major outfall drainage and drainage facilities to serve the District. The Bonds, when issued, will constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “THE BONDS – Source and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Magnolia or any entity other than the District. INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 17, 2026.

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.

MATURITY SCHEDULE

CUSIP Prefix (a): 05104M

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2029	\$105,000			
2030	110,000			
2031	115,000			
2032 ^(c)	125,000			
2033 ^(c)	130,000			
2034 ^(c)	140,000			
2035 ^(c)	145,000			
2036 ^(c)	150,000			
2037 ^(c)	160,000			
2038 ^(c)	160,000			
2039 ^(c)	170,000			
2040 ^(c)	175,000			
2041 ^(c)	180,000			
2042 ^(c)	190,000			
2043 ^(c)	200,000			
2044 ^(c)	210,000			
2045 ^(c)	215,000			
2046 ^(c)	230,000			
2047 ^(c)	240,000			
2048 ^(c)	250,000			
2049 ^(c)	265,000			
2050 ^(c)	275,000			
2051 ^(c)	285,000			
2052 ^(c)	300,000			
2053 ^(c)	315,000			
2054 ^(c)	335,000			
2055 ^(c)	350,000			
2056 ^(c)	975,000			

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, and engineering and other related reports set forth in the 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 the Financial Advisor.

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

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

The District has no control over the 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.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service, Inc. (“Moody’s”), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody’s rating fees as described below. Moody’s has assigned an underlying rating of “Baa2” to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody’s, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody’s and the Moody’s rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption “NO MATERIAL ADVERSE CHANGE,” if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings,” an application has been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. In the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the “Policy”) for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor, to the knowledge of the District, the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriters. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See “Municipal Bond Insurance and Ratings” above for further information regarding the District’s application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Audubon Water Control and Improvement District (the “District”) is a political subdivision of the State of Texas located within Montgomery County, Texas. See “THE DISTRICT - General.”
The Issue	Audubon Water Control and Improvement District Unlimited Tax Bonds, Series 2026, in the aggregate principal amount of \$6,500,000, are dated September 1, 2026. Interest accrues from the Date of Delivery, and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds scheduled to mature on and after September 1, 2032, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2031, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. The Bonds will be issued pursuant to a Bond Order (the “Bond Order”) adopted by the Board of Directors of the District and under the authority of Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended; and an Order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) dated April 14, 2026.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates,” “THE BONDS - Source and Security for Payment,” and “TAX DATA - Tax Rate Calculations.” The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Montgomery County, Texas, the City of Magnolia, Texas, or any entity other than the District.

Use of Bond Proceeds.....	Proceeds of the sale of the Bonds will be used by the District to (1) pay for land acquisition costs; and pay interest to the Developer; and (2) pay for bond issuance costs, operating costs, legal fees, fiscal agent’s fees, fees to the Attorney General of Texas, and fees to the Texas Commission on Environmental Quality (the “TCEQ”) and certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its \$5,480,000 Bond Anticipation Note, Series 2025 (the “BAN”), including payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned costs that it is financing with the proceeds of the sale of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Payment Record.....	The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquisition or construction of drainage facilities (the “System”) to serve the District. The District has previously issued Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”). Reference is made in this Official Statement to such bonds previously issued by the District as the “Prior Bonds.” Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$9,000,000 (the “Outstanding Bonds”). After the issuance of the Bonds, the total of the District’s direct bonded indebtedness, including the Bonds, will be \$15,500,000.
Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Authorized But Unissued Bonds.....	After issuance of the Bonds, \$442,500,000 for drainage facilities, \$271,000,000 for recreational facilities, and a total of \$726,500,000 for refunding purposes will remain authorized but unissued after issuance of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” and “THE SYSTEM.”
Municipal Bond Insurance and Rating	Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service, Inc. (“Moody’s”), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is

solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of "Baa2" to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption "NO MATERIAL ADVERSE CHANGE," if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

Bond Counsel.....

Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. See "THE DISTRICT - Management of the District" and "LEGAL MATTERS."

Disclosure Counsel

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

THE DISTRICT

Description.....

The District, formerly known as Montgomery County Water Control and Improvement District No. 4, is a political subdivision of the State of Texas, created by an order of the TCEQ on June 19, 2013. The District contains approximately 2,979.98 acres of land. The District is located entirely within Montgomery County, Texas, and entirely within the extraterritorial jurisdiction of the City of Magnolia, Texas (the "City"). The District is located entirely within the Magnolia Independent School District. The District is located in southwest Montgomery County, approximately 45 miles northwest of the central business district of the City of Houston. It is generally bounded on the west by the City and is bisected from east to west by FM 1488. It is approximately one-quarter mile west of the intersection of FM 149 and FM 1488. The District is a water control and improvement district which provides major stormwater drainage facilities for approximately 2,979.98 acres of land which overlaps Audubon Municipal Utility District No. 1 (formerly Montgomery County Municipal Utility District No. 131") ("AMUD1"), Audubon Municipal Utility District No. 2 (formerly Montgomery County

Municipal Utility District No. 130”) (“AMUD2”), Audubon Municipal Utility District No. 3 (formerly Montgomery County Municipal Utility District No. 154A) (“AMUD3”) and Audubon Municipal Utility District No. 4 (formerly Montgomery County Municipal Utility District No. 154B) (“AMUD4,” and collectively, the “MUDs”). See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions” and “APPENDIX A - LOCATION MAP.”

Audubon Management District.....

The Audubon Management District, formerly known as Montgomery County Management District No. 1 (the “Management District”), was created by an act of the Texas Legislature in 2019 as a special district under Section 59, Article XVI of the Texas Constitution to provide economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. The Management District encompasses approximately all of the land within the District. On May 2, 2020, voters authorized the Management District to levy a sales and use tax not to exceed one percent (1%) to finance its projects and services. At such election held on May 2, 2020, the voters also authorized the levy, assessment and collection of a maintenance tax not to exceed \$1.50 per \$100 of Assessed Valuation. The Management District has not considered calling an election to authorize the issuance of bonds payable in whole or in part from ad valorem taxes.

In addition, the Management District, on behalf of itself and as the managing district for AMUD1, AMUD2, AMUD3, AMUD4 and the District, has entered into an Agreement for the Financing and Construction of Road Improvements the (“Agreement”) with Montgomery County (the “County”). The parties to the Agreement agree to establish a program for the County to finance over time from tax increment revenues and the Management District to develop certain road improvements and improvements in aid thereof to promote economic development in the County, the City, and the area of the Management District.

Authority.....

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 51 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Audubon Development.....

Audubon is an approximately 2,900 acre mixed-use, master planned development located within the extraterritorial jurisdiction of the City. At full buildout, it is estimated that Audubon will contain approximately 4,200 single-family homes, approximately 2,600 multi-family apartment units and approximately 550 acres developed for mixed-use purposes, including, but not limited to retail, office, schools and churches. Audubon’s planned amenities will include greenspace, trails, and additional amenities commensurate with other master planned communities in the area. Four municipal utility districts serve the Audubon development, including AMUD1, AMUD2, AMUD3 and AMUD4. Development is currently

underway in AMUD1, AMUD2 and AMUD3. The District provides major outfall drainage and drainage facilities for the entire Audubon development, and the Audubon Management District provides economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. The District, the MUDs and the Management District are collectively referred to herein as the “Districts.” See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions,” “THE DISTRICT” and “APPENDIX A - LOCATION MAP.”

Development of the District.....

As of July 1, 2026, the District contained 641 single-family homes, including 70 homes under construction. According to the District’s Engineer, the Developer has completed the development of a total of 1,659 single-family residential lots (approximately 413.81 total acres) within the District, consisting of the subdivisions platted as Audubon Creekside North, Sections 1 through 7 (marketed as “Creekside North”), Audubon Park, Sections 1 through 7, Audubon Creekside South, Sections 1 through 4 (marketed as “Creekside South”), and Heron Run North, Sections 1 through 10, which are complete with the provision of water distribution, wastewater collection and storm drainage facilities and street paving. In addition, approximately 302 lots are currently under development on approximately 68.60 acres that have been platted as Heron Run South, Sections 13 and 14. See “DEVELOPER” below. Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the “Builders”) are currently constructing homes in the District as described below under the caption entitled “BUILDERS.”

XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is constructing an apartment complex. Woodforest Bank and RPM Ventures LP own approximately 15.39 acres located within the District which are expected to be used for mixed use retail purposes. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. See “TAX DATA - Principal 2025 Taxpayers,” “DEVELOPER,” “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

In addition to the total 413.81 acres within the District that have been developed to date and the 68.60 acres that are currently under development, approximately 1,591 acres of land located in the District that are available for future development have not

been developed. It is anticipated that such 1,591 acres will be developed for residential and commercial purposes. However, the owner of such land that is currently available for future development, which owner is described below under the caption “Developer,” is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. The future development activity that is described above is based upon various parties’ current future development expectations. However, neither AMD (defined below) nor any other party is under any legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed.

The District is financing its cost of land acquisition costs and other items with a portion of the proceeds of the sale of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Issuance of Additional Debt,” and “THE SYSTEM.”

Developer.....

The developer of the District is Audubon Magnolia Development, LLC, a Texas limited liability company, whose manager is JGI Resources, Inc., a Texas corporation (“AMD” or the “Developer”). AMD is a single-purpose entity created for the purpose of owning and developing the land in Audubon. AMD’s assets consist primarily of the land located in Audubon, including the District, and receivables due from the District for eligible public infrastructure costs. AMD has completed the development of the 1,659 fully developed single-family residential lots located within the District and has initiated the development of the 302 single-family residential lots that are currently under development within the District that are enumerated above. SY Audubon Management, Ltd. is managing the development of Audubon on behalf of AMD. SY Audubon Management, Ltd.’s General Partner is SY ADM, LLC, whose sole member and manager is Sam Yager Incorporated. Sam Yager Incorporated is a Houston-based, mixed-use land development company specializing primarily in single-family residential development. In addition to Audubon, Sam Yager Incorporated has recently managed the development of several other residential development projects including Fulshear Lakes, Harper’s Preserve, City Park, Kings Mill, Summer Lakes, and Lakecrest Forest. AMD owns approximately 1,591 acres of land located in the District that are available for future development that have not been developed. It is anticipated that such 1,591 acres will be

developed for residential and commercial purposes. However, AMD is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed.

Builders.....

Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the “Builders”) are currently constructing homes in the District which range from approximately 1,464 to 4,639 square feet in size of living area and in sales price from approximately \$269,990 to \$950,000. The Builders may change the size(s) and the type(s) of homes which they elect to build, and the sales prices thereof, or may suspend building activity altogether, at their sole discretion.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Assessed Valuation..... (As of January 1, 2025) See "TAX DATA" and "TAX PROCEDURES"	\$ 310,929,339 (a)
2026 Preliminary Valuation..... (As of January 1, 2026) See "TAX DATA" and "TAX PROCEDURES"	\$ 430,341,965 (b)
Estimated Valuation at May 15, 2026 See "TAX DATA" and "TAX PROCEDURES"	\$ 479,675,227 (c)
Direct Debt:	
Outstanding Bonds.....	\$ 9,000,000
The Bonds	<u>6,500,000</u>
Total	\$ 15,500,000 (d)
Estimated Overlapping Debt	\$ <u>44,525,232</u>
Total Direct and Estimated Overlapping Debt	\$ 59,525,232
Direct Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	4.82 %
: as a percentage of 2026 Preliminary Valuation.....	3.49 %
: as a percentage of Estimated Valuation at May 15, 2026	3.13 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	19.14 %
: as a percentage of 2026 Preliminary Valuation.....	13.83 %
: as a percentage of Estimated Valuation at May 15, 2026	12.41 %
Bond Fund Balance as of February 28, 2026.....	\$ 864,538 (e)
General Fund Balance as of February 28, 2026.....	\$ 430,397 (f)
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.15
Maintenance Tax.....	<u>0.15</u>
Total	\$ 0.30 (g)
Average Percentage of Total Tax Collections (2020-2024) as of June 30, 2026.....	99.41 %
Percentage of Total Tax Collections (2025 Levy) as of June 30, 2026	97.06 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2056).....	\$ 1,035,140
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2034)	\$ 1,058,650

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2027-2056) at 95% Tax Collections

Based Upon 2026 Preliminary Valuation.....	\$	0.26
Based Upon Estimated Valuation at May 15, 2026	\$	0.23

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2034) at 95% Tax Collections

Based Upon 2026 Preliminary Valuation.....	\$	0.26
Based Upon Estimated Valuation at May 15, 2026	\$	0.24

Number of Single Family Homes as of July 1, 2026 (including 70 homes under
construction)..... 641

- (a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Montgomery Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2026, as reflected on the District's preliminary 2026 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2026 values resulting from the construction of taxable improvements from January 1, 2025, through December 31, 2025. The District's ultimate 2026 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2026. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 15, 2026, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through May 14, 2026. The ultimate Assessed Valuation of any land and improvements added from January 1, 2025, through December 31, 2025, which will be placed on the District's 2026 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2026. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2026, through May 14, 2026, which will be placed on the District's 2027 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2027.
- (d) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," "THE BONDS - Issuance of Additional Debt," "USE AND DISTRIBUTION OF BOND PROCEEDS," "FUTURE DEVELOPMENT" and "THE SYSTEM,"
- (e) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2026. The District's remaining debt service payment for 2026, which is due on September 1, 2026, totals \$226,128. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on March 1, 2027.
- (f) See "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS."
- (g) The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2025 tax levies of all units of government which levy taxes against the property located within the District, including the District's 2025 tax rate of \$0.30 per \$100 of Assessed Valuation, is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

\$6,500,000
AUDUBON WATER CONTROL AND IMPROVEMENT DISTRICT
UNLIMITED TAX BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Audubon Water Control and Improvement District (the “District”) of its Unlimited Tax Bonds, Series 2026 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication therefor.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Montgomery County, Texas, the City of Magnolia, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District’s ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District’s obligation to collect sufficient taxes may be costly and lengthy processes. See “Tax Collection Limitations” and “Registered Owners’ Remedies and Bankruptcy” below, “THE BONDS - Source and Security for Payment” and - “Remedies in Event of Default,” and “THE SYSTEM – Water Supply and Wastewater Treatment.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The maintenance of or the potential increase in taxable valuation of the District are directly related to the vitality of the single-family residential housing industry, and can be significantly affected by factors such as interest rates, construction costs, and consumer demand. A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of the single-family lots and residences that have been constructed within the District. The market value of such residences is related to general economic conditions affecting the demand for residences. Demand for lots and residences of this type and the construction of residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Decreased levels of home construction activity, among other factors, would restrict the growth of property values in the District. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing (see “Potential Effects of Oil Price Volatility on the Houston Area” below). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” “DEVELOPER” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” “DEVELOPER” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development, homebuilding and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs, at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, the ability of homebuilders to initiate the construction of new homes for sale, or the construction of future commercial buildings. 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 development and/or construction of future commercial buildings within the District. In addition, since the District is located approximately 40 miles northwest 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 downturn in the economic conditions of Houston and in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of future commercial buildings in the District and restrain the growth of the District’s property tax base.

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

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds will be \$1,058,650 (2034) and the Average Annual Debt Service Requirements will be \$1,035,140 (2027 through 2056, inclusive). The District’s 2026 Preliminary Valuation is \$430,341,965. Assuming no increase to nor decrease from the 2026 Preliminary Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rate of \$0.26 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District’s Estimated Valuation at May 15, 2026, is \$479,675,227. Assuming no increase to nor decrease from the Estimated Valuation at May 15, 2026, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.24 and \$0.23 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation. As indicated above, a debt service tax rate of \$0.15 per \$100 of Assessed Valuation will not be sufficient to pay the average annual debt service

requirements and the maximum annual debt service requirement, respectively, on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the Estimated Valuation at May 15, 2026, assuming a tax collection rate of 95%, no use of other available funds, including earnings from the investment of funds held in the District's Bond Fund, and the issuance of no additional bonds by the District. However, as is stated above under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.41% of its tax levy for 2020 through 2024 as of June 30, 2026, and its 2025 levy is 97.06% collected as of such date. Moreover, the District's Bond Fund balance was \$864,538 as of February 28, 2026. Therefore, given these factors plus the debt service revenue that is anticipated to be generated from the imposition of the District's debt service tax on homes that are anticipated to be constructed on lots that have been developed within the District (see "DEVELOPMENT OF THE DISTRICT" and "BUILDERS"), the District anticipates being able to pay the maximum and average annual debt service requirements of the Outstanding Bonds and the Bonds without increasing its debt service levy above the level of the 2025 debt service levy of \$0.15 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES." Increases in the District's tax rate to higher levels than the total \$0.30 per \$100 of Assessed Valuation rate which the District levied in 2025 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2025 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District, is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

District Tax Levy and Overlapping District Taxes and Functions

The District, which covers 2,979.98 acres of land, expects to issue bonds to finance drainage improvements, and drainage facilities and recreational facilities to serve areas within the District. The principal of and interest on District bonds will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE SYSTEM." The District levies a tax on the land located within the District, which tax is in addition to the tax levied by the MUDs. The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation. The District's 2025 tax rate of \$0.30 per \$100 of assessed valuation plus MUD1, MUD2 and MUD3's respective 2025 tax rate of \$1.15 per \$100 of assessed valuation totals \$1.45 per \$100 of assessed valuation, and, as is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all units of government which levy taxes against the property located within the District plus the District's 2025 tax levy is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the MUDs, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the investment quality or security of the Bonds could be adversely affected.

Voters within the Management District, which includes all the acreage within the boundaries of the District, have approved the levy of a sales and use tax not to exceed one percent (1%). At an election held on May 2, 2020, the voters also authorized the levy, assessment and collection of a maintenance tax not to exceed \$1.50 per \$100 of Assessed Valuation. The Management District has not considered calling an election to authorize the issuance of bonds payable in whole or in part from ad valorem taxes. See "THE DISTRICT – Audubon Management District."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAX PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not 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. 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 judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Remedies in Event of Default."

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District will reserve in the Bond Order the right to issue the remaining \$442,500,000 unlimited tax bonds authorized but unissued for drainage facilities, \$726,500,000 for refunding purposes, and \$271,000,000 unlimited tax bonds for recreational facilities and such additional bonds as may hereafter be approved by the voters of the District. The District will also reserve the right to issue certain other additional bonds, special project bonds, and other obligations described

in the Bond Order. All of the remaining bonds described above for waterworks, wastewater and drainage facilities, roads and recreational facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$442,500,000 in bonds for drainage facilities and \$271,000,000 in bonds for recreational facilities is also subject to TCEQ authorization.

The District's Engineer currently estimates that the aforementioned \$442,500,000 authorized bonds which remain unissued will be adequate to finance the construction of all drainage facilities to provide service to all of the currently undeveloped portions of the District. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "USE AND DISTRIBUTION OF BOND PROCEEDS," "FUTURE DEVELOPMENT," and "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Outstanding Bonds and the Bonds. See "THE BONDS - Issuance of Additional Debt."

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 of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS."

Approval of the Bonds

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

Competitive Nature of Houston Housing and Commercial Building Markets

The single-family development and housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that the building programs that are planned by the Builders or any future home builder(s) will be completed, that commercial buildings will be constructed within the District, or that any development projects other than those that have been heretofore undertaken in the District will be initiated or completed.

The likelihood of the construction of future homes or commercial buildings or the initiation of any new residential or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Environmental Regulations

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established

under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. No development activity had been undertaken within the District at the time of the occurrence 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 in the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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.

Potential Effects of Oil Price Volatility on the Houston Area

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

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.

THE BONDS

General

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

Description

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

Authority for Issuance

At an election held within the District on May 7, 2016, voters in the District authorized a total of \$458,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the second issuance of bonds from such authorization. After the issuance of the Bonds, a total of \$442,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended; and an order of the TCEQ dated April 14, 2026.

Source and Security for Payment

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

Funds

The Bond Order confirms the District's Construction Fund and the District's Bond Fund (the "Bond Fund"). Proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$458,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$442,500,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$271,000,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and \$726,500,000 unlimited tax bonds for the purpose of refunding outstanding bonds of the District issued for water, sanitary sewer and drainage and recreational facilities and could authorize additional amounts. All of such bonds authorized for recreational facilities and refunding purposes remain authorized but unissued. See "Financing Recreational Facilities" below. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," "USE AND DISTRIBUTION OF BOND PROCEEDS," "FUTURE DEVELOPMENT," "THE SYSTEM."

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

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

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 7, 2016, voters of the District authorized a total of \$271,000,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Magnolia (the “City”), the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation.

If the District is annexed, the City must assume the District’s assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See “INVESTMENT CONSIDERATIONS - Registered Owners’ Remedies and Bankruptcy.”

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county,

municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

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.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing

agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be

the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the sale of the Bonds will be used by the District to (1) pay for land acquisition costs; and pay interest to the Developer; and (2) pay for bond issuance costs, operating costs, legal fees, fiscal agent's fees, fees to the Attorney General of Texas, and fees to the Texas Commission on Environmental Quality (the "TCEQ") and certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its \$5,480,000 Bond Anticipation Note, Series 2025 (the "BAN"), including payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned costs that it is financing with the proceeds of the sale of the Bonds.

Construction Costs

District Share

A. Developer Contribution Items - None

B. District Items

1. Land Acquisition Costs	<u>\$5,080,249</u>
TOTAL CONSTRUCTION COSTS	\$5,080,249

Non-Construction Costs

1. Legal Fees	
a. Bond Issue	\$ 172,500
b. Bond Anticipation Note	54,800
2. Fiscal Agent Fees	
a. Bond Issue	\$ 130,000
b. Bond Anticipation Note	54,800
3. Interest	
a. Developer Interest (a)	31,997
b. Bond Anticipation Note Interest	328,800
4. Bond Discount	195,000
5. Bond Issuance Expenses	44,096
6. Bond Anticipation Note Issuance Expenses	16,258
7. Bond Application Report Costs	60,000

8. Operating Advances	308,750
9. Attorney General Fee	6,500
10. TCEQ Bond Issuance Fee	16,250
11. Contingencies (b)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,419,751</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$6,500,000</u>

-
- (a) Represents interest owed the Developer on advances of construction costs and engineering fees and operating expenses made on the District's behalf by the Developer. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.
- (b) The TCEQ directed that any surplus funds resulting from the sale of bonds at an amount lower than proposed be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

THE DISTRICT

General

The District was created as a water control and improvement district by order of the TCEQ dated June 19, 2013. The District operates under Chapters 49 and 51 of the Texas Water Code, as amended, and other general statutes of Texas applicable to water control and improvement districts. The District was created under the provisions of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District, which lies wholly within the extraterritorial jurisdiction of the City of Magnolia, is subject to the continuing supervisory jurisdiction of the TCEQ. The TCEQ has authority over issuance of bonds by the District pursuant to Section 49.181 of the Texas Water Code and applicable rules of the TCEQ. The creation of the District was confirmed in an election held within the District on May 7, 2016 by a vote of four (4) in favor and zero (0) against.

The District is empowered, among other things, to provide funds for the acquisition and construction of major outfall, storm drainage and recreational facilities.

The District is required to observe certain requirements of the City of Magnolia which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of drainage, recreational, and fire-fighting facilities and the refunding of outstanding debt obligations. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description

The District, formerly known as Montgomery County Water Control and Improvement District No. 4, is a political subdivision of the State of Texas, created by an order of the TCEQ on June 19, 2013. The District contains approximately 2,979.98 acres of land. The District is located entirely within Montgomery County, Texas, and entirely within the extraterritorial jurisdiction of the City of Magnolia, Texas (the "City"). The District is located entirely within the Magnolia Independent School District. The District is located in southwest Montgomery County, approximately 45 miles northwest of the central business district of the City of Houston. It is generally bounded on the west by the City and is bisected from east to west by FM 1488. It is approximately one-quarter mile west of the intersection of FM 149 and FM 1488. The District is a water control and improvement district which provides major outfall drainage and drainage facilities for approximately 2,979.98 acres of land which overlaps Audubon Municipal Utility District No. 1 (formerly Montgomery County Municipal Utility District No. 131") ("AMUD1"), Audubon Municipal Utility District No. 2 (formerly

Montgomery County Municipal Utility District No. 130”) (“AMUD2”), Audubon Municipal Utility District No. 3 (formerly Montgomery County Municipal Utility District No. 154A) (“AMUD3”) and Audubon Municipal Utility District No. 4 (formerly Montgomery County Municipal Utility District No. 154B) (“AMUD4,” and collectively, the “MUDs”). See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions” and “APPENDIX A - LOCATION MAP.”

Audubon Management District

The Audubon Management District, formerly known as Montgomery County Management District No. 1 (the “Management District”), was created by an act of the Texas Legislature in 2019 as a special district under Section 59, Article XVI of the Texas Constitution to provide economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. The Management District encompasses all of the land within the District. On May 2, 2020, voters authorized the Management District to levy a sales and use tax not to exceed one percent (1%) to finance its projects and services. At such election held on May 2, 2020, the Management District authorized the levy, assessment and collection of a maintenance tax not to exceed \$1.50 per \$100 of Assessed Valuation. The Management District has not considered calling an election to authorize the issuance of bonds payable in whole or in part from ad valorem taxes.

In addition, the Management District, on behalf of itself and as the managing district for the AMUD1, AMUD2, AMUD3, AMUD4 and the District, has entered into an Agreement for the Financing and Construction of Road Improvements the (“Agreement”) with Montgomery County (the “County”). The parties to the Agreement agree to establish a program for the County to finance over time from tax increment revenues and the Management District to develop certain road improvements and improvements in aid thereof to promote economic development in the County, the City, and the area of the Management District.

Management of the District

The District is governed by the Board, consisting of five (5) directors. The Board has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. None of the directors reside within the District. All of the Directors own property subject to taxation in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Janet Rhodes	President	2028
Cyrus Fozounmayeh	Vice President	2028
Jean Froehlich	Secretary	2030
Mackrena Ramos	Assistant Secretary	2030
Carol Barnes	Assistant Secretary	2028

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Wheeler & Associates, Inc., Houston, Texas, as the District’s Tax Assessor/Collector. The Tax Assessor/Collector applies the District’s tax rate to appraisal rolls prepared by the Montgomery Central Appraisal District and bills and collects such tax.

Utility System Operator - Municipal Operations & Consulting, Inc. is employed by the District as the general operator of the District’s System.

Consulting Engineers - The District has employed the firm of Elevation Land Solutions (the “Engineer”), The Woodlands, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District’s Bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of February 28, 2026, and for the year ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX B.”

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

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

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

AUDUBON DEVELOPMENT

Audubon is an approximately 2,900 acre mixed-use, master planned development located within the extraterritorial jurisdiction of the City. At full buildout, it is estimated that Audubon will contain approximately 4,200 single-family homes, approximately 2,600 multi-family apartment units and approximately 550 acres developed for mixed-use purposes, including, but not limited to retail, office, schools and churches. Audubon’s planned amenities will include greenspace, trails, and additional amenities commensurate with other master planned communities in the area. Four municipal utility districts serve the Audubon development, including AMUD1, AMUD2, AMUD3 and AMUD4. Development is currently underway in AMUD1, AMUD2 and AMUD3. The District provides major outfall drainage and drainage facilities for the entire Audubon development, and the Audubon Management District provides economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions,” “THE DISTRICT” and “APPENDIX A - LOCATION MAP.”

DEVELOPMENT OF THE DISTRICT

As of July 1, 2026, the District contained 641 single-family homes, including 70 homes under construction. According to the District’s Engineer, the Developer has completed the development of a total of 1,659 single-family residential lots (approximately 413.81 total acres) within the District, consisting of the subdivisions platted as Audubon Creekside North, Sections 1 through 7 (marketed as “Creekside North”), Audubon Park, Sections 1 through 7, Audubon Creekside South, Sections 1 through 4 (marketed as “Creekside South”), Heron Run North, Sections 1 through 10, which are complete with the provision of water distribution, wastewater collection and storm drainage facilities (the “System”) and street paving. In addition, approximately 302 lots are currently under development on approximately 68.6 acres that have been platted as Heron Run South, Sections 13 and 14. See “DEVELOPER” below. Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the “Builders”) are currently constructing homes in the District as described below under the caption entitled “BUILDERS.”

XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is constructing an apartment complex. Woodforest Bank and RPM Ventures LP own approximately 15.39 acres located within the District which are expected to be used for mixed use retail purposes. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. See “TAX DATA - Principal 2025 Taxpayers,” “DEVELOPER,” “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

In addition to the total 413.81 acres within the District that have been developed to date and the 68.6 acres that are currently under development, approximately 1,591 acres of land located in the District that are available for future development have not been developed. It is anticipated that such 1,591 acres will be developed for residential and commercial purposes. However, the owner of such land that is currently available for future development, which owner is described below under the caption “DEVELOPER,” is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. The future development activity that is described above is based upon various parties’ current future development expectations. However, neither AMD (defined below) nor any other party is under any legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed.

The District is financing its cost of land acquisition and other items with a portion of the proceeds of the sale of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Issuance of Additional Debt,” and “THE SYSTEM.”

As of July 1, 2026, the status of home construction in the District was as follows:

<u>Subdivision</u>	<u>Lots</u>			<u>Homes</u>		<u>Totals</u>
	<u>Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>	<u>Completed</u>
<u>AMUD1</u>						
Audubon Creekside						
North						
Section 1	5	3.18			0	4
Section 2A	67	11.53			0	67
Section 2B	40	6.62			0	37
Section 3A	44	8.92			0	44
Section 3B	56	11.85			0	56
Section 4	48	7.41			0	46
Section 5	50	10.70			0	50
Audubon Park						
Section 1	12	5.82			0	12
Section 2	81	20.01			0	81
Section 3	45	12.79			0	45
Section 4	66	16.02			0	51
Section 5	27	8.68			0	27
Section 6	12	2.88			0	12
Section 7	14	6.01			0	14

	Lots				Homes		
			Under		Under Construction	Completed	
Subdivision	Developed	Acres	Development	Acres			Totals
Audubon Creekside South							
Section 1	44	19.19			0	34	34
Section 2	59	14.93			0	10	10
Section 3	97	18.66			7	90	97
Section 4	32	6.73			0	32	32
AMUD2							
Audubon Creekside North							
Section 6	47	10.15			2	45	47
Section 7	106	20.38			7	79	86
AMUD3							
Heron Run North							
Section 1	63	16.17			1	17	18
Section 2	92	19.14			1	3	4
Section 3	66	10.53			0	1	1
Section 4	86	27.69			3	14	17
Section 5	69	11.58			1	0	1
Section 6	80	33.85			15	4	19
Section 7	104	20.52			2	0	2
Section 8	34	9.415			5	0	5
Section 9	62	22.82			20	0	20
Section 10	51	19.63			6	0	6
Heron Run South							
Section 13			135	37.50			
Section 14			167	31.10			
Totals	1,659	413.81	302	68.60	70	571	641

DEVELOPER

The developer of the District is Audubon Magnolia Development, LLC, a Texas limited liability company, whose manager is JGI Resources, Inc., a Texas corporation (“AMD” or the “Developer”). AMD is a single-purpose entity created for the purpose of owning and developing the land in Audubon. AMD’s assets consist primarily of the land located in Audubon, including the District, and receivables due from the District for eligible public infrastructure costs. AMD has completed the development of the 1,659 fully developed single-family residential lots located within the District and has initiated the development of the 302 single-family residential lots that are currently under development within the District that are enumerated above. SY Audubon Management, Ltd. is managing the development of Audubon on behalf of AMD. SY Audubon Management, Ltd.’s General Partner is SY ADM, LLC, whose sole member and manager is Sam Yager Incorporated. Sam Yager Incorporated is a Houston-based, mixed-use land development company specializing primarily in single-family residential development. In addition to Audubon, Sam Yager Incorporated has recently managed the development of several other residential development projects including Fulshear Lakes, Harper’s Preserve, City Park, Kings Mill, Summer Lakes, and Lakecrest Forest. AMD owns approximately 1,591 acres of land located in the District that are available for future development that have not been developed. It is anticipated that such

1,591 acres will be developed for residential and commercial purposes. However, AMD is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed.

BUILDERS

Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the “Builders”) are currently constructing homes in the District which range from approximately 1,464 to 4,639 square feet in size of living area and in sales price from approximately \$269,990 to \$950,000. The Builders may change the size(s) and the type(s) of homes which they elect to build, and the sales prices thereof, or may suspend building activity altogether, at their sole discretion.

FUTURE DEVELOPMENT

1,659 single-family residential lots have been developed on an aggregate of approximately 413.81 acres and 302 lots are currently under development on approximately 68.60 acres located within the District to date. AMD owns an aggregate of approximately 1,591 acres of land located in the District that are available for future development that have not been developed. It is anticipated that such 1,591 acres will be developed for residential and commercial purposes. See “DEVELOPMENT OF THE DISTRICT.” Since there is no legal commitment on the part of the owner of such currently undeveloped acres located within the District that are available for future development to the District to develop such currently undeveloped acres according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is constructing an apartment complex. Woodforest Bank and RPM Ventures LP own approximately 15.39 acres located within the District which are expected to be used for mixed use retail purposes. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. If any undeveloped portion of the District is eventually developed, additions to the District’s water, sanitary sewer and drainage systems and road system required to service such undeveloped acreage may be financed by future issues of the District’s bonds. The District’s Engineer currently estimates that the \$458,000,000 authorized bonds which are currently unissued (see “INVESTMENT CONSIDERATIONS - Future Debt” and “THE BONDS - Issuance of Additional Debt”) are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to increase the District’s water supply, wastewater treatment and drainage facilities as described below under the caption “THE SYSTEM.”

THE SYSTEM

Regulation

According to the District’s Engineer, the System has 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, and Montgomery County.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family water and sewer utility connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 2,979.98 acres is 10,753 with a total estimated population of 20,500 people. The following descriptions are based upon an estimate of 3.5 people/connection supplied by the District’s Engineer.

Description

The System presently serves the total of 1,659 single-family residential lots that have been developed within the District that are described above under the caption “DEVELOPMENT OF THE DISTRICT.” In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE BONDS - Issuance of Additional Debt.”

Water Supply and Wastewater Treatment

The Districts do not own any water supply or sanitary sewer treatment facilities. The MUDs and the Management District receive wholesale water supply and sanitary sewer treatment services from the City. Pursuant to the Wholesale Water Supply and Sanitary Sewer Agreement, as same has been amended and supplemented (the “Service Agreement”) dated January 13, 2015, and amended June 12, 2018, September 19, 2020, and April 12, 2022, among the MUDs, AMD and the City, the City has agreed to provide wholesale water and sanitary sewer services to the MUDs in phases, with the ultimate phase to include water supply and sanitary sewer treatment capacities sufficient to facilitate full development of the property owned by AMD. Pursuant to the terms and conditions of the Service Agreement, the MUDs will, with respect to each of the equivalent single-family connections (ESFCs) beyond the first 200 ESFCs provided to the MUDs, which are provided at no cost to the MUDs, be required to pay wholesale capacity charges to the City: (i) in the amount of \$1,500 and \$3,000 for water and sewer connections, respectively, for the next 400 ESFCs in excess of the first 200 ESFCs requested, and (ii) in the amounts equal to the City’s impact fees as set forth in the City’s Impact Fee Ordinance as of the date of each subsequent request for ESFCs. The City will bill the parties for water and sewer services provided at a rate equal to the City’s water and sanitary sewer rates for each equivalent sized connection inside the corporate limits of the City. However, the parties to the Service Agreement are currently in discussions regarding the development plan for Audubon and the City’s concerns regarding the City’s ability and willingness to timely supply sufficient wholesale water and sewer capacity for the development. While the City is presently required to provide Audubon with 4,500 ESFCs of water and sewer capacity (with an additional 750 ESFCs required to be provided as of July 20, 2028), such capacity is not dedicated to any specific MUD. The MUDs and the Management District are authorized to construct and operate water and wastewater facilities should the City be unable to supply sufficient capacity; however, the construction and operation of such facilities could result in increased costs and delays in providing service. The District cannot represent whether negotiations with the City will successfully resolve the concerns with the Service Agreement or the timeframe for resolution of any such concerns.

With regard to development in the Districts, the Land Use Planning and Cooperation Agreement by and between the Developer and the City, dated effective as of November 8, 2011, as amended, provides that, while subdivision plats for portions of property within the District must be submitted to the City, the regulatory, platting, planning, land use and construction requirements, standards and criteria applicable to the property within the Districts are the regulations, standards and codes of Montgomery County, Texas, governing the development of land. Further, the Memorandum of Understanding by and between the District and the City, dated effective as of December 8, 2020, provides that the City shall have no role in the approval or execution of any subdivision plats for any portion of property within the District and that the City defers its execution and approval of each such plat to Montgomery County such that the County’s approval of each such plat constitutes the City’s approval of same.

In order to increase capacity in the City’s water system, the City has constructed additional water production and supply facilities.

Further, the MUDs and the Developer have completed construction of an estimated five hundred gallon per minute water well and associated water treatment and pressure facilities (the “Audubon Well”) which is currently operational and estimated to be capable of serving 833 ESFCs. The MUDs, the Developer and the City entered into a Supplement to Wholesale Water Supply and Sanitary Sewer Agreement, dated effective February 14, 2023 (the “Supplement”) to provide that the Audubon Well, which will ultimately be owned by the Management District for the benefit of the Districts, will be connected to and supply water to the City’s water system during an initial supply period as provided by the terms and conditions of the Supplement. The Supplement provides that wholesale water supply capacity and services in an amount equal to the water supply capacity provided by the Audubon Well, along with wholesale sanitary sewer

treatment capacity and services in the corresponding amount, will be reserved for and provided to the MUDs by the City in accordance with the terms and conditions of the Service Agreement. The Supplement provides that, after March 31, 2024, 1,483 ESFCs within the MUDs will be served by the City's water system without water supplied by the Audubon Well. The Supplement also provides that the Management District has the right to utilize the Audubon Well to provide water supply to the MUDs during the pendency of any future temporary building moratorium by the City.

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, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100 year flood plain have flooded multiple times in the last several years. See “INVESTMENT CONSIDERATIONS - Extreme Weather Events.”

The current acreage within the District is included in FIRM Number 48339C0480G dated August 18, 2014. All areas within developed lots in the 100-year floodplain have been filled and received Letters of Map Revision based on Fill ("LOMR-F") or Letters of Map Amendment ("LOMA"). As development progresses, lots within the floodplain will continued to be filled and applications for LOMR-F's and LOMA's to FEMA will be submitted for those lots once fill has been placed.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken August 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2026)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2025 Assessed Valuation..... (As of January 1, 2025) See "TAX DATA" and "TAX PROCEDURES"	\$ 310,929,339 (a)
2026 Preliminary Valuation..... (As of January 1, 2026) See "TAX DATA" and "TAX PROCEDURES"	\$ 430,341,965 (b)
Estimated Valuation at May 15, 2026 See "TAX DATA" and "TAX PROCEDURES"	\$ 479,675,227 (c)
Direct Debt:	
Outstanding Bonds.....	\$ 9,000,000
The Bonds	<u>6,500,000</u>
Total	\$ 15,500,000 (d)
Estimated Overlapping Debt	\$ <u>44,525,232</u>
Total Direct and Estimated Overlapping Debt	\$ 59,525,232
Direct Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	4.82 %
: as a percentage of 2026 Preliminary Valuation.....	3.49 %
: as a percentage of Estimated Valuation at May 15, 2026	3.13 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	19.14 %
: as a percentage of 2026 Preliminary Valuation.....	13.83 %
: as a percentage of Estimated Valuation at May 15, 2026	12.41 %
Bond Fund Balance as of February 28, 2026.....	\$ 864,538 (e)
General Fund Balance as of February 28, 2026.....	\$ 430,397
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.15
Maintenance Tax.....	<u>0.15</u>
Total	\$ 0.30 (f)
Average Percentage of Total Tax Collections (2020-2024) as of June 30, 2026.....	99.41 %
Percentage of Total Tax Collections (2025 Levy) as of June 30, 2026	97.06 %

(a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Montgomery Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Montgomery County Appraisal Review Board (the "Appraisal Review

Board”). See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX PROCEDURES.”

- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2026, as reflected on the District's preliminary 2026 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2026 values resulting from the construction of taxable improvements from January 1, 2025, through December 31, 2025. The District's ultimate 2026 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2026. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX PROCEDURES.”
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 15, 2026, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through May 14, 2026. The ultimate Assessed Valuation of any land and improvements added from January 1, 2025, through December 31, 2025, which will be placed on the District's 2026 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2026. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2026, through May 14, 2026, which will be placed on the District's 2027 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2027.
- (d) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Issuance of Additional Debt,” “USE AND DISTRIBUTION OF BOND PROCEEDS,” “FUTURE DEVELOPMENT” and “THE SYSTEM,”
- (e) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2026. The District's remaining debt service payment for 2026, which is due on September 1, 2026, totals \$226,128. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on March 1, 2027.
- (f) The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2025 tax levies of all units of government which levy taxes against the property located within the District, including the District's 2025 tax rate of \$0.30 per \$100 of Assessed Valuation, is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of July 1, 2026</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Montgomery County	535,450,000	0.28467%	\$1,524,246
Lone Star College System	342,055,000	0.09013%	308,310
Magnolia Independent School District	250,580,000	2.58308%	6,472,676
Audubon Municipal Utility District No. 1	36,220,000	100.00000%	<u>36,220,000</u>
Total Estimated Overlapping Debt			\$44,525,232
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>15,500,000</u>
Total Direct and Estimated Overlapping Debt			\$59,525,232

Debt Ratios

	<u>% of 2025 Assessed Valuation</u>	<u>% of 2026 Preliminary Valuation</u>	<u>% of Estimated Valuation as of May 15, 2025</u>
Direct Debt.....	4.82%	3.49%	3.13%
Direct and Estimated Overlapping Debt	19.14%	13.83%	12.41%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds, plus the estimated principal of and interest requirements on the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2026	\$443,816			\$443,816
2027	605,813		\$341,250	947,063
2028	606,363		341,250	947,613
2029	606,238	\$105,000	341,250	1,052,488
2030	605,438	110,000	335,738	1,051,175
2031	603,963	115,000	329,963	1,048,925
2032	606,813	125,000	323,925	1,055,738
2033	609,138	130,000	317,363	1,056,500
2034	608,113	140,000	310,538	1,058,650
2035	608,763	145,000	303,188	1,056,950
2036	608,988	150,000	295,575	1,054,563
2037	608,788	160,000	287,700	1,056,488
2038	608,163	160,000	279,300	1,047,463
2039	606,788	170,000	270,900	1,047,688
2040	604,638	175,000	261,975	1,041,613
2041	606,688	180,000	252,788	1,039,475
2042	607,675	190,000	243,338	1,041,013
2043	607,950	200,000	233,363	1,041,313
2044	607,513	210,000	222,863	1,040,375
2045	606,363	215,000	211,838	1,033,200
2046	609,500	230,000	200,550	1,040,050
2047	605,750	240,000	188,475	1,034,225
2048	606,250	250,000	175,875	1,032,125
2049	605,750	265,000	162,750	1,033,500
2050	609,250	275,000	148,838	1,033,088
2051	606,500	285,000	134,400	1,025,900
2052	607,750	300,000	119,438	1,027,188
2053	607,750	315,000	103,688	1,026,438
2054	606,500	335,000	87,150	1,028,650
2055	609,000	350,000	69,563	1,028,563
2056		975,000	51,188	1,026,188
	\$18,052,012	\$6,500,000	\$6,946,020	\$31,498,024

Average Annual Requirements: (2027-2056) \$1,035,140

Maximum Annual Requirement: (2034) \$1,058,650

* Interest is estimated at 5.25% per annum for purposes of illustration.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future ad valorem tax supported bonds which may be issued from time to time as authorized (see “TAX PROCEDURES”). The Board of Directors of the District has in its Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see “INVESTMENT CONSIDERATIONS” and “THE BONDS”). The District levied a debt service tax for 2025 at a rate of \$0.15 per \$100 of Assessed Valuation. See “Tax Rate Distribution” below.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for administrative expenses and maintenance of the District’s water, sewer and drainage improvements, and for maintenance of recreational facilities, if such maintenance taxes are authorized by a vote of the District’s electorate. On May 7, 2016, the District voters authorized the levy of a maintenance tax for administrative expenses and maintenance of water, sewer and drainage improvements in the maximum amount of \$1.50 per \$100 of Assessed Valuation. Said tax may be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.30 per \$100 of Assessed Valuation in 2000 through 2024 for administrative expenses and maintenance of water, sewer and drainage improvements. The District levied a maintenance tax for 2025 at a rate of \$0.15 per \$100 of Assessed Valuation. See “Tax Rate Distribution” below.

Tax Rate Limitation

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

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District’s annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2020	\$853,250	\$0.30 ^(c)	\$2,560	100.00%	2021
2021	7,893,940	0.30 ^(c)	23,682	100.00	2022
2022	44,309,715	0.30 ^(c)	132,929	99.25	2023
2023	116,803,445	0.30 ^(c)	350,410	98.65	2024
2024	187,705,451	0.30 ^(c)	563,114	99.13	2025
2025	310,929,339	0.30 ^(c)	932,788	97.06 ^(c)	2025

(a) Per \$100 of Assessed Valuation. See Tax Rate Distribution below.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through June 30, 2026. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of June 30, 2026. In process of collection.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.15	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance	<u>0.15</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>
Total	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	<u>2025</u> <u>Assessed Valuation</u>	<u>%</u>	<u>2024</u> <u>Assessed Valuation</u>	<u>%</u>	<u>2023</u> <u>Assessed Valuation</u>	<u>%</u>
Land	\$105,625,565	33.97%	\$68,537,602	36.51%	\$39,449,160	33.77%
Improvements	249,791,096	80.34%	131,878,571	70.26%	81,883,440	70.10%
Personal Property	2,834,841	0.91%	324,015	0.17%	353,960	0.30%
Ag Net	0	0.00%	452,238	0.24%	272,748	0.23%
Exemptions	<u>-47,322,163</u>	<u>-15.22%</u>	<u>-13,486,975</u>	<u>-7.19%</u>	<u>-5,155,863</u>	<u>-4.41%</u>
TOTAL	\$310,929,339	100.00%	\$187,705,451	100.00%	\$116,803,445	100.00%

<u>Type of Property</u>	<u>2022</u> <u>Assessed Valuation</u>	<u>%</u>	<u>2021</u> <u>Assessed Valuation</u>	<u>%</u>
Land	\$24,560,490	55.43%	\$6,911,490	87.55%
Improvements	21,114,120	47.65%	517,850	6.56%
Personal Property	380,880	0.86%	471,850	5.98%
Ag Net	86,447	0.20%	0	0.00%
Exemptions	<u>-1,832,222</u>	<u>-4.14%</u>	<u>-7,250</u>	<u>-0.09%</u>
TOTAL	\$44,309,715	100.00%	\$7,893,940	100.00%

Principal 2025 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2025. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2025.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2025 Tax Roll</u>	<u>% of 2025 Tax Roll</u>
Audubon Magnolia Development(a)	Land and Improvements	\$17,236,053	5.54%
Sitterle Homes Houston LLC(b)	Land and Improvements	8,272,249	2.66%
Century Land Holdings of Texas LLC(b)	Land and Improvements	3,634,177	1.17%
RPM Ventures LP	Land	2,962,833	0.95%
DPEG Audubon LP(b)	Land	1,907,928	0.61%
Cochran & Company	Land, Improvements and Personal Property	1,857,022	0.60%
Weekley Homes LLC(b)	Land, Improvements and Personal Property	1,388,015	0.45%
Ravenna Homes LLC(b)	Land and Improvements	1,366,881	0.44%
SDH Houston LLC(b)	Land, Improvements and Personal Property	1,153,733	0.37%
Super OHM Inc.	Land	<u>1,059,815</u>	<u>0.34%</u>
		\$23,602,653	13.13%

(a) See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments" and "DEVELOPER."

(b) See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments" and "BUILDERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2026 Preliminary Valuation or the Estimated Valuation at May 15, 2026. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Bonds.

Average Annual Debt Service Requirements (2027-2056)	\$1,035,140
Tax Rate of \$0.26 on the 2026 Preliminary Valuation (\$430,341,965) produces	\$1,062,945
Tax Rate of \$0.23 on the Estimated Valuation at May 15, 2026 (\$479,675,227) produces	\$1,048,090
Maximum Annual Debt Service Requirement (2034)	\$1,058,650
Tax Rate of \$0.26 on the 2026 Preliminary Valuation (\$430,341,965) produces	\$1,062,945
Tax Rate of \$0.24 on the Estimated Valuation at May 15, 2026 (\$479,675,227) produces	\$1,093,660

The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation. As indicated above, a debt service tax rate of \$0.15 per \$100 of Assessed Valuation will not be sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement, respectively, on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the Estimated Valuation at May 15, 2026, assuming a tax collection rate of 95%, no use of other available funds, including earnings from the investment of funds held in the District's Bond Fund, and the issuance of no additional bonds by the District. However, as is stated above under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.41% of its tax levy for 2020

through 2024 as of June 30, 2026, and its 2025 levy is 97.06% collected as of such date. Moreover, the District's Bond Fund balance was \$864,538 as of February 28, 2026. Therefore, given these factors plus the debt service revenue that is anticipated to be generated from the imposition of the District's debt service tax on homes that are anticipated to be constructed on lots that have been developed within the District (see "DEVELOPMENT OF THE DISTRICT" and "BUILDERS"), the District anticipates being able to pay the maximum and average annual debt service requirements of the Outstanding Bonds and the Bonds without increasing its debt service levy above the level of the 2025 debt service levy of \$0.15 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "Future Debt" and "TAX PROCEDURES."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2025 taxes levied upon property located within the District plus the District's 2025 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate Per \$100 of A.V.</u>
Montgomery County	\$0.3790
Lone Star College System	0.1076
Magnolia Independent School District	0.9595
Audubon Municipal Utility District No. 1/No. 2	1.1500
Montgomery County Hospital District	0.0497
Montgomery County Emergency Services District No. 10	0.0873
The District*	<u>0.3000</u>
Total Tax Rate	3.0331

* The District levied a tax rate of \$0.30 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.15 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation.

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Certain Tax Exemptions Provided for Affordable Housing

Chapter 392 of the Texas Local Government Code authorizes a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met and Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multi-family residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

Additionally, Chapter 394 of the Texas Local Government Code, known as the Texas Housing Finance Corporations Act (the "HFC Act") provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Historically, HFCs could receive certain tax exemptions on qualified projects under the HFC Act, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Subject to certain restrictions, a leasehold or other possessory interest granted by the HFC to the user of an HFC-owned multifamily residential development entitles that user to this same exemption. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by an HFC.

The HFC Act provides that property acquired by an HFC after May 28, 2025, will, unless payment in lieu of tax is agreed upon, be subject to taxes imposed by conservation and reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, and certain emergency services districts.

General Residential Homestead Exemption

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies special purpose districts, including the District, differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that 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 herein as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See “SELECTED FINANCIAL INFORMATION” for a description of the District’s current total tax rate.

Low Tax Rate Districts

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

Developed Districts

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

within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

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

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the District's Board of Directors on an annual basis. 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. For the 2026 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2025, approximately no acres of land within the District were designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and (if it were to annex the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

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

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT - General," - "Audubon Management District" and - "Management of the District - Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm

conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

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

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

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

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

Interest on the Bonds may be includable in the “adjustable financial statement income” of certain corporations determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District’s certifying officers, 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, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein that was obtained from sources other than the District. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The financial statements of the District as of February 28, 2026, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM" has been provided by Elevation Land Solutions, The Woodlands, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" was provided by the Appraisal District and Wheeler & Associates, Inc., Houston, Texas. The District has included certain information herein in reliance upon said firm's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were 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.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriter, of any adverse event which 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 upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

Official Statement “Deemed Final”

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “official statement” with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in the Rule.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION,” “TAX DATA,” and in “APPENDIX B.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2027. The District will provide the updated information to the MSRB or any successor to its functions as a repository.

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 it 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 shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes 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 the last day of February. Accordingly, it must provide updated information by August 31 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.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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 events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 the agreement, as amended, would have permitted an Underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of any outstanding bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial

information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

The District is in compliance with its continuing disclosure agreements in accordance with SEC Rule 15c2-12 made in connection with the Outstanding Bonds.

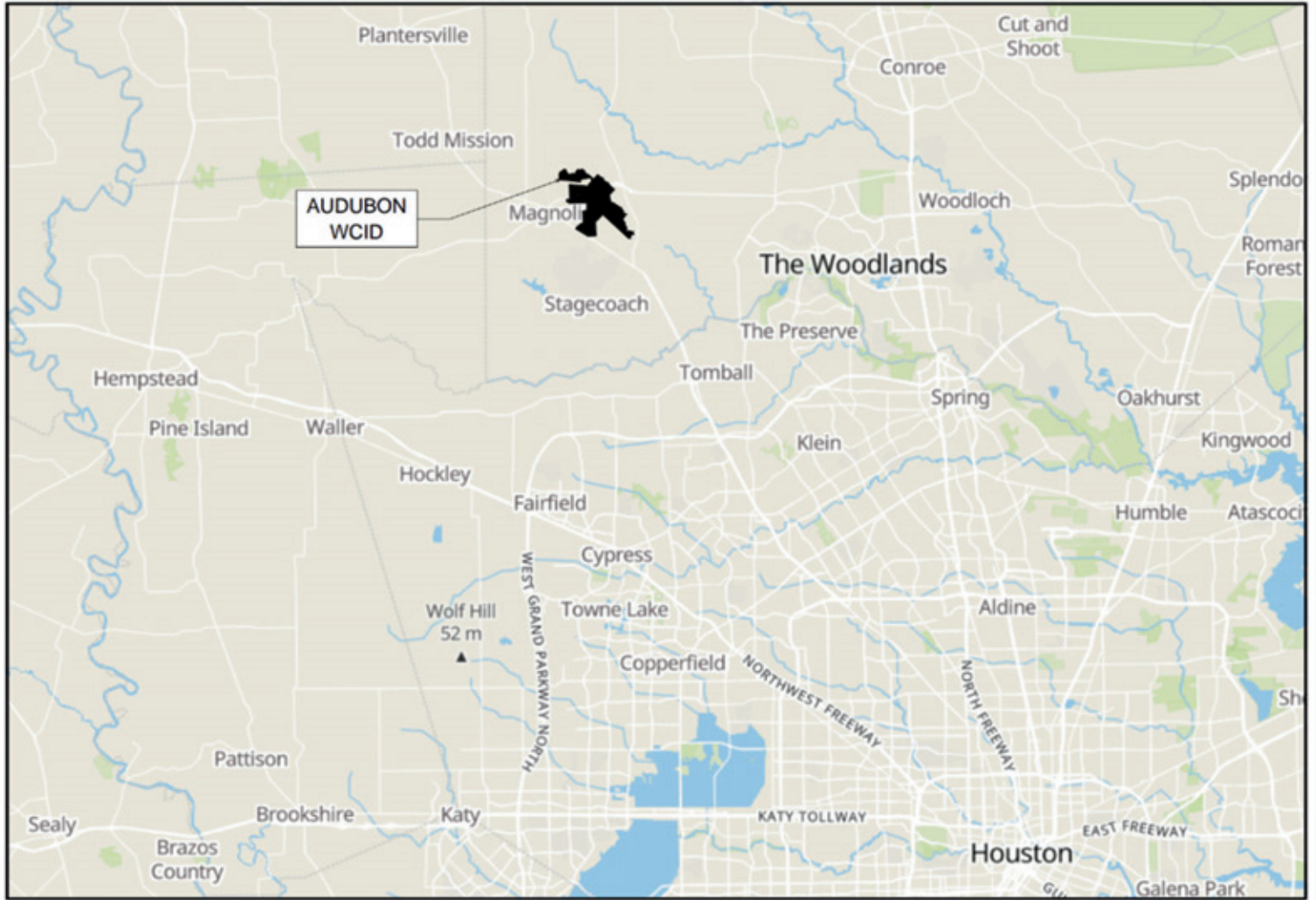
This Official Statement was approved by the Board of Directors of Audubon Water Control and Improvement District as of the date shown on the first page hereof.

President, Board of Directors
Audubon Water Control and Improvement District

ATTEST:

Secretary, Board of Directors
Audubon Water Control and Improvement District

APPENDIX A
LOCATION MAP



AUDUBON WATER CONTROL AND IMPROVEMENT DISTRICT
VICINITY MAP



APPENDIX B

AUDUBON WATER CONTROL AND IMPROVEMENT DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FEBRUARY 28, 2026



Audubon Water Control and Improvement District Montgomery County, Texas

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

February 28, 2026



Audubon Water Control and Improvement District
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February 28, 2026

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Independent Auditor's Report

Board of Directors
Audubon Water Control and Improvement District
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Audubon Water Control and Improvement District (District), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of February 28, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
July 10, 2026**

**Audubon Water Control and Improvement District
Management's Discussion and Analysis
Year Ended February 28, 2026**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Audubon Water Control and Improvement District
Management's Discussion and Analysis
Year Ended February 28, 2026**

Governmental Fund

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2026</u>	<u>2025</u>
Current and other assets	\$ 1,594,127	\$ 595,020
Capital assets	11,635,664	6,499,520
Total assets	<u>\$ 13,229,791</u>	<u>\$ 7,094,540</u>
Long-term liabilities	\$ 14,788,527	\$ 7,645,732
Other liabilities	150,167	168,833
Total liabilities	<u>14,938,694</u>	<u>7,814,565</u>
Net position		
Net investment in capital assets	(1,953,514)	(335,348)
Restricted	339,776	309
Unrestricted	<u>(95,165)</u>	<u>(384,986)</u>
Total net position	<u>\$ (1,708,903)</u>	<u>\$ (720,025)</u>

**Audubon Water Control and Improvement District
Management's Discussion and Analysis
Year Ended February 28, 2026**

The total net position of the District decreased by \$988,878, or about 137%. The majority of the decrease in net position is related to service operations and debt service expenses exceeding property taxes and other revenues. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2026	2025
Revenues		
Property taxes	\$ 948,655	\$ 563,801
Other income	49,528	10,892
Total revenues	998,183	574,693
Expenses		
Services	914,439	920,461
Debt service	1,072,622	120,054
Total expenses	1,987,061	1,040,515
Change in net position	(988,878)	(465,822)
Net position, beginning of year	(720,025)	(254,203)
Net position, end of year	\$ (1,708,903)	\$ (720,025)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended February 28, 2026 were \$1,416,987, an increase of \$951,348 from the prior year.

The general fund's fund balance decreased by \$4,801. This decrease was primarily due to service operations and capital outlay expenditures exceeding property tax revenues and developer advances.

The debt service fund's fund balance increased by \$864,538 primarily due to property tax revenues and proceeds from the sale of bonds exceeding bond interest requirements and contracted services expenditures.

The capital projects fund's fund balance increased by \$91,611 due to proceeds received from the sale of bonds and a bond anticipation note exceeding capital outlay expenditures, repayment of a bond anticipation note, debt issuance costs, and repayment of developer advances.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues and professional fees and repairs and maintenance expenditures being less than anticipated, as well as capital outlay expenditures being greater than anticipated. In addition, interfund transfers in and developer advances were not included in the current year budget. The fund balance as of February 28, 2026 was expected to be \$651,584, and the actual end-of-year fund balance was \$430,397.

**Audubon Water Control and Improvement District
Management's Discussion and Analysis
Year Ended February 28, 2026**

Capital Assets

Capital Assets

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

	<u>2026</u>	<u>2025</u>
Land and improvements	<u>\$ 11,635,664</u>	<u>\$ 6,499,520</u>

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

80.00-acre tract for detention and drainage	\$ 56,001
12.77-acre tract for detention and drainage	1,021,629
50.73-acre tract for detention and drainage	<u>4,058,514</u>
Total additions to capital assets	<u>\$ 5,136,144</u>

Long-Term Liabilities

Debt

The changes in the debt position of the District during the fiscal year ended February 28, 2026 are summarized as follows:

Long-term debt payable, beginning of year	\$ 7,645,732
Increases in long-term debt	14,364,000
Decreases in long-term debt	<u>(7,221,205)</u>
Long-term debt payable, end of year	<u>\$ 14,788,527</u>

As of February 28, 2026, the District had \$449,000,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the drainage systems within the District and \$271,000,000 of unlimited tax bonds authorized, but unissued, for financing and constructing recreational facilities.

The Series 2025 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Economic Dependency

The District's developer owns the majority of the taxable property in the District, net of repayments. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$576,482 to the District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

**Audubon Water Control and Improvement District
Management's Discussion and Analysis
Year Ended February 28, 2026**

Contingencies

The developer of the District is constructing drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs plus interest from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$699,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Audubon Water Control and Improvement District
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 11,998	\$ 375,091	\$ 470	\$ 387,559	\$ -	\$ 387,559
Short-term investments	309,710	666,802	121,762	1,098,274	-	1,098,274
Property taxes receivable	50,920	33,616	-	84,536	-	84,536
Accrued penalty and interest	-	-	-	-	21,462	21,462
Interfund receivable	163,649	-	-	163,649	(163,649)	-
Due from others	-	2,296	-	2,296	-	2,296
Capital assets, land and improvements	-	-	-	-	11,635,664	11,635,664
Total Assets	<u>\$ 536,277</u>	<u>\$ 1,077,805</u>	<u>\$ 122,232</u>	<u>\$ 1,736,314</u>	<u>\$ 11,493,477</u>	<u>\$ 13,229,791</u>
Liabilities						
Accounts payable	\$ 54,960	\$ 16,002	\$ 180	\$ 71,142	\$ -	\$ 71,142
Accrued interest payable	-	-	-	-	79,025	79,025
Interfund payable	-	163,649	-	163,649	(163,649)	-
Long-term liabilities, due after one year	-	-	-	-	14,788,527	14,788,527
Total Liabilities	<u>54,960</u>	<u>179,651</u>	<u>180</u>	<u>234,791</u>	<u>14,703,903</u>	<u>14,938,694</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>50,920</u>	<u>33,616</u>	<u>-</u>	<u>84,536</u>	<u>(84,536)</u>	<u>-</u>
Fund Balances/Net Position						
Fund balances						
Restricted						
Unlimited tax bonds	-	864,538	-	864,538	(864,538)	-
Drainage facilities	-	-	122,052	122,052	(122,052)	-
Unassigned	<u>430,397</u>	<u>-</u>	<u>-</u>	<u>430,397</u>	<u>(430,397)</u>	<u>-</u>
Total fund balances	<u>430,397</u>	<u>864,538</u>	<u>122,052</u>	<u>1,416,987</u>	<u>(1,416,987)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 536,277</u>	<u>\$ 1,077,805</u>	<u>\$ 122,232</u>	<u>\$ 1,736,314</u>		
Net position						
Net investment in capital assets					(1,953,514)	(1,953,514)
Restricted for debt service					336,613	336,613
Restricted for capital projects					3,163	3,163
Unrestricted net position					(95,165)	(95,165)
Total net position					<u>\$ (1,708,903)</u>	<u>\$ (1,708,903)</u>

Audubon Water Control and Improvement District
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 465,369	\$ 431,862	\$ -	\$ 897,231	\$ 51,424	\$ 948,655
Penalty and interest	-	14,877	-	14,877	13,722	28,599
Investment income	4,231	12,873	2,987	20,091	-	20,091
Other income	-	812	26	838	-	838
Total Revenues	469,600	460,424	3,013	933,037	65,146	998,183
Expenditures/Expenses						
Service operations						
Professional fees	143,991	-	-	143,991	126,436	270,427
Contracted services	41,633	31,085	-	72,718	7,329	80,047
Repairs and maintenance	140,413	-	-	140,413	367,519	507,932
Other expenditures	31,021	24,853	159	56,033	-	56,033
Capital outlay	367,519	-	5,377,032	5,744,551	(5,744,551)	-
Debt service						
Principal retirement	-	-	6,865,000	6,865,000	(6,865,000)	-
Interest and fees	-	204,772	263,465	468,237	107,889	576,126
Debt issuance costs	-	-	496,496	496,496	-	496,496
Total Expenditures/Expenses	724,577	260,710	13,002,152	13,987,439	(12,000,378)	1,987,061
Excess (Deficiency) of Revenues Over Expenditures	(254,977)	199,714	(12,999,139)	(13,054,402)	12,065,524	
Other Financing Sources (Uses)						
Interfund transfers in (out)	96,176	(43,926)	(52,250)	-	-	
Repayment of developer advances	-	-	(358,250)	(358,250)	358,250	
Developer advances	154,000	-	-	154,000	(154,000)	
General obligation bonds issued	-	708,750	8,291,250	9,000,000	(9,000,000)	
Discount on debt issued	-	-	(270,000)	(270,000)	270,000	
Bond anticipation note issued	-	-	5,480,000	5,480,000	(5,480,000)	
Total Other Financing Sources	250,176	664,824	13,090,750	14,005,750	(14,005,750)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(4,801)	864,538	91,611	951,348	(951,348)	
Change in Net Position					(988,878)	(988,878)
Fund Balances/Net Position						
Beginning of year	435,198	-	30,441	465,639	-	(720,025)
End of year	<u>\$ 430,397</u>	<u>\$ 864,538</u>	<u>\$ 122,052</u>	<u>\$ 1,416,987</u>	<u>\$ -</u>	<u>\$ (1,708,903)</u>

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

Audubon Water Control and Improvement District (District) was created as Montgomery County Water Control and Improvement District No. 4 by an order of the Texas Commission on Environmental Quality (Commission), effective June 19, 2013, in accordance with the provisions of Article XVI, Section 59, of the Texas Constitution. The name of the District was changed to Audubon Water Control and improvement District effective March 1, 2023. The District operates in accordance with Chapter 49 and 51 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate drainage and recreational facilities and to provide such facilities and services to the landowners of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended February 28, 2026 include collections during the current period or within 60 days of year-end related to the 2025 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended February 28, 2026, the 2025 tax levy is considered

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because of the items on the following page.

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements. \$ 11,635,664

Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements. 84,536

Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the fund financial statements. 21,462

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the fund financial statements. (79,025)

Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements. (14,788,527)

Adjustment to fund balances to arrive at net position. \$ (3,125,890)

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

Change in fund balances. \$ 951,348

Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense or conveyed to another governmental entity for ownership and maintenance. This is the amount by which capital outlay expenditures exceeded noncapitalized costs in the current period. 5,243,267

Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer. 204,250

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 270,000

Governmental funds report proceeds from sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. These transactions, however, do not have any effect on net position. (14,480,000)

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.

\$ 6,865,000

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.

65,146

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(107,889)

Change in net position of governmental activities.

\$ (988,878)

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

At February 28, 2026, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

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

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

At February 28, 2026, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1–5	6–10	More Than 10
Texas CLASS	\$ 1,098,274	\$ 1,098,274	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At February 28, 2026, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at February 28, 2026 as follows:

Carrying value	
Deposits	\$ 387,559
Investments	1,098,274
Total	<u>\$ 1,485,833</u>

Investment Income

Investment income of \$20,091 for the year ended February 28, 2026 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of February 28, 2026:

- Pooled investments of \$1,098,274 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended February 28, 2026 is as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	<u>\$ 6,499,520</u>	<u>\$ 5,136,144</u>	<u>\$ 11,635,664</u>

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended February 28, 2026, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000	\$ -
Less discounts on bonds	-	270,000	2,045	267,955	-
	-	8,730,000	(2,045)	8,732,045	-
Bond anticipation notes	6,865,000	5,480,000	6,865,000	5,480,000	-
Due to developer, operating advances	780,732	154,000	358,250	576,482	-
Total governmental activities, long-term liabilities	<u>\$ 7,645,732</u>	<u>\$ 14,364,000</u>	<u>\$ 7,221,205</u>	<u>\$ 14,788,527</u>	<u>\$ -</u>

General Obligation Bonds

	Series 2025
Amounts outstanding, February 28, 2026	\$9,000,000
Interest rates	4.25% to 6.75%
Maturity dates, serially beginning/ending	September 1, 2027/2055
Interest payment dates	March 1/September 1
Callable dates	September 1, 2030

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

Annual Debt Service Requirements

The District has been paying the amount due March 1 within the fiscal year preceding this due date and the following schedule has been prepared assuming this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at February 28, 2026.

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ -	\$ 452,256	\$ 452,256
2028	135,000	447,700	582,700
2029	145,000	438,250	583,250
2030	150,000	428,294	578,294
2031	160,000	417,832	577,832
2032–2036	950,000	1,927,420	2,877,420
2037–2041	1,220,000	1,682,741	2,902,741
2042–2046	1,580,000	1,360,224	2,940,224
2047–2051	2,030,000	921,750	2,951,750
2042–2056	2,630,000	341,750	2,971,750
Total	<u>\$ 9,000,000</u>	<u>\$ 8,418,217</u>	<u>\$ 17,418,217</u>

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

Bonds voted	
Drainage system	\$ 458,000,000
Parks and recreation	271,000,000
Refunding	729,000,000
Bonds sold	
Drainage system	9,000,000

Bond Anticipation Note

On October 30, 2025, the District sold its Series 2025 bond anticipation note in the amount of \$5,480,000. The note is dated October 30, 2025, bears interest at the rate of 4.35%, and matures October 27, 2026, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities.

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended February 28, 2026, the District levied an ad valorem debt service tax at the rate of \$0.1500 per \$100 of assessed valuation, which resulted in a tax levy of \$465,478 on the taxable valuation of \$310,284,861 for the 2025 tax year. The interest requirements to be paid from the tax revenues are \$430,900 of which \$204,772 has been paid and \$226,128 is due September 1, 2026.
- (B) In accordance with the Series 2025 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of interest during the construction period. The bond interest reserve is reduced as the interest is paid.

Audubon Water Control and Improvement District
Notes to Financial Statements
February 28, 2026

Bond interest reserve, beginning of year	\$ -
Additions	
Interest appropriated from bond proceeds, Series 2025	708,750
Deductions – Appropriation from bond interest paid Series 2025	<u>204,772</u>
Bond interest reserve, end of year	<u>\$ 503,978</u>

(C) During the current year, the District transferred \$52,250 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6. Maintenance Taxes

At an election held May 7, 2016, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended February 28, 2026, the District levied an ad valorem maintenance tax at the rate of \$0.1500 per \$100 of assessed valuation, which resulted in a tax levy of \$465,478 on the taxable valuation of \$310,284,861 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Risk Management

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

Note 8. Economic Dependency

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

Since inception, the developer has advanced \$576,482 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Note 9. Contingencies

The developer of the District is constructing drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$699,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Audubon Water Control and Improvement District
Budgetary Comparison Schedule – General Fund
Year Ended February 28, 2026

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 556,073	\$ 969,838	\$ 465,369	\$ (504,469)
Investment income	2,300	2,300	4,231	1,931
Total Revenues	<u>558,373</u>	<u>972,138</u>	<u>469,600</u>	<u>(502,538)</u>
Expenditures				
Service operations				
Professional fees	239,500	239,500	143,991	95,509
Contracted services	40,000	40,000	41,633	(1,633)
Repairs and maintenance	171,000	171,000	140,413	30,587
Other expenditures	30,252	30,252	31,021	(769)
Capital outlay	275,000	275,000	367,519	(92,519)
Total Expenditures	<u>755,752</u>	<u>755,752</u>	<u>724,577</u>	<u>31,175</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(197,379)</u>	<u>216,386</u>	<u>(254,977)</u>	<u>(471,363)</u>
Other Financing Sources				
Interfund transfers in	-	-	96,176	96,176
Developer advances	197,379	-	154,000	154,000
Total Other Financing Sources	<u>197,379</u>	<u>-</u>	<u>250,176</u>	<u>250,176</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>-</u>	<u>216,386</u>	<u>(4,801)</u>	<u>(221,187)</u>
Fund Balance, Beginning of Year	<u>435,198</u>	<u>435,198</u>	<u>435,198</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 435,198</u>	<u>\$ 651,584</u>	<u>\$ 430,397</u>	<u>\$ (221,187)</u>

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2026.

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

Supplementary Information

Audubon Water Control and Improvement District
Other Schedules Included Within This Report
February 28, 2026

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 10–19
- [X] Schedule of Services
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel, and Consultants

Audubon Water Control and Improvement District
Schedule of Services
Year Ended February 28, 2026

1. Services to be provided by the District

☐ Retail Water	☐ Wholesale Water	☒ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☐ Irrigation
☒ Parks/Recreation	☐ Fire Protection	☐ Security
☐ Solid Waste/Garbage	☐ Flood Control	☐ Roads
☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
☐ Other ☐ The District does not provide water and sewer service.		

Audubon Water Control and Improvement District
Schedule of General Fund Expenditures
Year Ended February 28, 2026

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	16,000	
Legal		69,861	
Engineering		58,130	
Financial advisor		-	143,991
Purchased Services for Resale			
Bulk water and wastewater service purchases			-
Regional Water Fee			-
Contracted Services			
Bookkeeping		41,633	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		-	41,633
Utilities			-
Repairs and Maintenance			140,413
Administrative Expenditures			
Directors' fees		10,166	
Office supplies		2,160	
Insurance		4,232	
Other administrative expenditures		14,463	31,021
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		367,519	367,519
Tap Connection Expenditures			-
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Lease Expenditures			-
Debt Service			
Debt issuance costs			-
Total Expenditures		\$	<u><u>724,577</u></u>

Audubon Water Control and Improvement District
Schedule of Temporary Investments
February 28, 2026

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	3.80%	Demand	\$ 309,710	\$ -
Debt Service Fund				
Texas CLASS	3.80%	Demand	666,802	-
Capital Projects Fund				
Texas CLASS	3.80%	Demand	119,513	-
Texas CLASS	3.80%	Demand	2,249	-
			121,762	-
Totals			\$ 1,098,274	\$ -

Audubon Water Control and Improvement District
Analysis of Taxes Levied and Receivable
Year Ended February 28, 2026

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 33,112	\$ -
Additions and corrections to prior years' taxes	17,699	-
Adjusted Receivable, Beginning of Year	50,811	-
2025 Original Tax Levy	438,590	438,590
Additions and corrections	26,888	26,888
Adjusted tax levy	465,478	465,478
Total to be Accounted For	516,289	465,478
Tax collections: Current year	(431,862)	(431,862)
Prior year	(33,507)	-
Receivable, End of Year	<u>\$ 50,920</u>	<u>\$ 33,616</u>
Receivable, by Years		
2025	\$ 33,616	\$ 33,616
2024	4,691	-
2023	11,620	-
2022	993	-
Receivable, End of Year	<u>\$ 50,920</u>	<u>\$ 33,616</u>

Audubon Water Control and Improvement District
Analysis of Taxes Levied and Receivable
Year Ended February 28, 2026

(Continued)

	2025	2024	2023	2022
Property Valuations				
Land	\$ 105,740,472	\$ 68,861,617	\$ 39,677,140	\$ 24,941,370
Improvements	249,182,473	130,828,887	73,904,560	21,114,120
Personal property	2,834,841	433,631	272,748	86,447
Exemptions	(47,472,924)	(12,930,717)	(4,036,691)	(1,759,059)
Total Property Valuations	\$ 310,284,862	\$ 187,193,418	\$ 109,817,757	\$ 44,382,878
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.1500	\$ -	\$ -	\$ -
Maintenance tax rates*	0.1500	0.3000	0.3000	0.3000
Total Tax Rates per \$100 Valuation	\$ 0.3000	\$ 0.3000	\$ 0.3000	\$ 0.3000
Tax Levy	\$ 930,956	\$ 561,578	\$ 329,453	\$ 133,149
Percent of Taxes Collected to Taxes Levied**	93%	99%	96%	99%

*Maximum tax rate approved by voters: \$1.50 on May 7, 2016

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

Audubon Water Control and Improvement District
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2026

Due During Fiscal Years Ending February 28	Series 2025		Total
	Principal Due September 1	Interest Due March 1, September 1	
2027	\$ -	\$ 452,256	\$ 452,256
2028	135,000	447,700	582,700
2029	145,000	438,250	583,250
2030	150,000	428,294	578,294
2031	160,000	417,832	577,832
2032	170,000	406,694	576,694
2033	180,000	395,106	575,106
2034	190,000	384,269	574,269
2035	200,000	375,032	575,032
2036	210,000	366,319	576,319
2037	220,000	357,181	577,181
2038	230,000	347,619	577,619
2039	245,000	337,372	582,372
2040	255,000	326,275	581,275
2041	270,000	314,294	584,294
2042	285,000	301,281	586,281
2043	300,000	287,387	587,387
2044	315,000	272,781	587,781
2045	330,000	257,462	587,462
2046	350,000	241,313	591,313
2047	365,000	223,875	588,875
2048	385,000	205,125	590,125
2049	405,000	185,375	590,375
2050	425,000	164,625	589,625
2051	450,000	142,750	592,750
2052	475,000	119,625	594,625
2053	500,000	95,250	595,250
2054	525,000	69,625	594,625
2055	550,000	42,750	592,750
2056	580,000	14,500	594,500
Totals	\$ 9,000,000	\$ 8,418,217	\$ 17,418,217

The District has been paying the amount due March 1 prior to that date. The schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Audubon Water Control and Improvement District
Changes in Long-Term Bonded Debt
Year Ended February 28, 2026

	Bond Issue Series 2025
Interest rates	4.25% to 6.75%
Dates interest payable	March 1/ September 1
Maturity dates	September 1, 2027/2055
Bonds outstanding, beginning of current year	\$ -
Bonds sold during the current year	9,000,000
Retirements, principal	-
Bonds outstanding, end of current year	<u>\$ 9,000,000</u>
Interest paid during the current year	<u>\$ 204,772</u>
Paying agent's name and address	

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

Bond authority	Tax Bonds	Recreational Bonds	Refunding Bonds
Amount authorized by voters	\$ 458,000,000	\$ 271,000,000	\$ 729,000,000
Amount issued	\$ 9,000,000	\$ -	\$ -
Remaining to be issued	<u>\$ 449,000,000</u>	<u>\$ 271,000,000</u>	<u>\$ 729,000,000</u>
Debt service fund cash and temporary investment balances as of February 28, 2026:			<u>\$ 1,041,893</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 580,607</u>

Audubon Water Control and Improvement District
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended February 28, 2026 and 2025; Year Ended February 29, 2024; and
Year Ended February 28, 2023

	Amounts			
	2026	2025	2024	2023
General Fund				
Revenues				
Property taxes	\$ 465,369	\$ 564,788	\$ 304,367	\$ 124,810
Penalty and interest	-	6,238	1,961	209
Investment income	4,231	2,535	-	-
Other income	-	1,380	4,249	37,240
Total Revenues	<u>469,600</u>	<u>574,941</u>	<u>310,577</u>	<u>162,259</u>
Expenditures				
Service operations				
Professional fees	143,991	292,235	98,683	67,388
Contracted services	41,633	59,959	42,365	32,416
Repairs and maintenance	140,413	140,963	42,184	65,370
Other expenditures	31,021	39,409	30,205	25,968
Capital outlay	367,519	383,286	-	-
Debt service, debt issuance costs	-	52,250	-	-
Total Expenditures	<u>724,577</u>	<u>968,102</u>	<u>213,437</u>	<u>191,142</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(254,977)</u>	<u>(393,161)</u>	<u>97,140</u>	<u>(28,883)</u>
Other Financing Sources				
Interfund transfers out	96,176	-	-	-
Developer advances received	154,000	537,422	48,000	192,500
Total Other Financing Sources	<u>250,176</u>	<u>537,422</u>	<u>48,000</u>	<u>192,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(4,801)</u>	<u>144,261</u>	<u>145,140</u>	<u>163,617</u>
Fund Balance (Deficit), Beginning of Year	<u>435,198</u>	<u>290,937</u>	<u>145,797</u>	<u>(17,820)</u>
Fund Balance, End of Year	<u>\$ 430,397</u>	<u>\$ 435,198</u>	<u>\$ 290,937</u>	<u>\$ 145,797</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Percent of Fund Total Revenues			
2026	2025	2024	2023
99.1 %	98.2 %	98.0 %	76.9 %
-	1.1	0.6	0.1
0.9	0.5	-	-
-	0.2	1.4	23.0
100.0	100.0	100.0	100.0
30.7	50.8	31.8	41.5
8.8	10.4	13.6	20.0
29.9	24.5	13.6	40.3
6.6	6.9	9.7	16.0
78.3	66.7	-	-
-	9.1	-	-
154.3	168.4	68.7	117.8
(54.3) %	(68.4) %	31.3 %	(17.8) %

Audubon Water Control and Improvement District
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended February 28, 2026

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
Debt Service Fund		
Revenues		
Property taxes	\$ 431,862	93.8 %
Penalty and interest	14,877	3.2
Investment income	12,873	2.8
Other income	812	0.2
Total Revenues	<u>460,424</u>	<u>100.0</u>
Expenditures		
Current		
Contracted services	31,085	6.7
Other expenditures	24,853	5.4
Debt service, interest, and fees	204,772	44.5
Total Expenditures	<u>260,710</u>	<u>56.6</u>
Excess of Revenues Over Expenditures	<u>199,714</u>	<u>43.4 %</u>
Other Financing Sources (Uses)		
Interfund transfers out	(43,926)	
General obligation bonds issued	708,750	
Total Other Financing Sources	<u>664,824</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	864,538	
Fund Balance, Beginning of Year	<u>-</u>	
Fund Balance, End of Year	<u><u>\$ 864,538</u></u>	

**Audubon Water Control and Improvement District
Board Members, Key Personnel, and Consultants
Year Ended February 28, 2026**

Complete District mailing address:	Audubon Water Control and Improvement District c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	April 14, 2026
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Janet Rhodes	Elected 05/24– 05/28	\$ 2,210	\$ -	President
Cyrus Fozounmayeh	Elected 05/24– 05/28	2,431	-	Vice President
Jean Froehlich	Appointed 04/25– 05/26	2,873	-	Secretary
Mackrena Ramos	Elected 05/22– 05/26	1,547	-	Assistant Secretary
Elizabeth Knox	Elected 05/24– 10/25	1,105	-	Resigned

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

**Audubon Water Control and Improvement District
Board Members, Key Personnel, and Consultants
Year Ended February 28, 2026**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Elevation Land Solutions	08/12/21	\$ 81,391	Engineer
Forvis Mazars, LLP	02/09/23	31,200	Auditor
Montgomery Central Appraisal District	Legislative Action	9,417	Appraiser
Municipal Accounts & Consulting, L.P.	06/25/14	50,710	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	12/10/20	2,891	Delinquent Tax Attorney
Rathmann & Associates, L.P	06/25/14	236,300	Financial Advisor
Schwartz, Page & Harding, L.L.P.	06/25/14	237,366 150,353	Bond Counsel General Counsel
Wheeler & Associates, Inc.	01/15/16	26,649	Tax Assessor
Investment Officers			
Mark Burton and Ghia Lewis	06/25/14	N/A	Bookkeepers

