**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 2**

**(Montgomery County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT**

**DATED: OCTOBER 7, 2026**

**$1,650,000**

**UNLIMITED TAX BONDS**

**SERIES 2026**

**BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME**

**WEDNESDAY, OCTOBER 28, 2026**

**BONDS TO BE AWARDED AT: 12:00 P.M., CENTRAL TIME**

**WEDNESDAY, OCTOBER 28, 2026**

CEDAR CREEK
MUNICIPAL ADVISORS

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 of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 7, 2026**

*This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).*

**IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT (HEREIN DEFINED), AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "LEGAL MATTERS" and "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.**

The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – Qualified Tax-Exempt Obligations."

**NEW ISSUE – Book-Entry-Only** **NOT RATED**

**$1,650,000**

# CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 2

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

## UNLIMITED TAX BONDS, SERIES 2026

**Dated: November 1, 2026**
**Interest Accrues From: Date of Delivery** **Due: September 1, as shown on the inside cover**

The $1,650,000 Conroe Municipal Management District No. 2 Unlimited Tax Bonds, Series 2026 (the "Bonds") are obligations of Conroe Municipal Management District No. 2 (the "District") and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Houston, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated November 1, 2026, and interest accrues from the date of delivery of the Bonds (on or about November 24, 2026) (the "Date of Delivery"). Interest on the Bonds is payable on March 1, 2027, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in denominations of $5,000 of principal or any integral multiple thereof in fully registered form only.

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIP NOS." on the inside cover.**

The Bonds are the first series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring water, wastewater, and drainage facilities to serve the District (the "Utility System"). At an election held within the District on November 5, 2019, voters of the District authorized the District's issuance of $81,950,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System to serve the District; $122,925,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $41,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System"); $62,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $15,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the "Park System"); and $22,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System.

The Bonds, when issued, will constitute 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. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel ("Bond Counsel"). Certain legal matters will be passed on for the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel ("Disclosure Counsel"). Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 24, 2026.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIP NOS.**

**$1,650,000**

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 2**
**UNLIMITED TAX BONDS, SERIES 2026**

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. ____ (b) | Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. ____ (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2029 | $ 35,000 | ___% | ___% | ____ | 2041 (c) | $ 70,000 | ___% | ___% | ____ |
| 2030 | 35,000 | ___% | ___% | ____ | 2042 (c) | 75,000 | ___% | ___% | ____ |
| 2031 | 40,000 | ___% | ___% | ____ | 2043 (c) | 80,000 | ___% | ___% | ____ |
| 2032 (c) | 40,000 | ___% | ___% | ____ | 2044 (c) | 85,000 | ___% | ___% | ____ |
| 2033 (c) | 45,000 | ___% | ___% | ____ | 2045 (c) | 90,000 | ___% | ___% | ____ |
| 2034 (c) | 45,000 | ___% | ___% | ____ | 2046 (c) | 95,000 | ___% | ___% | ____ |
| 2035 (c) | 50,000 | ___% | ___% | ____ | 2047 (c) | 100,000 | ___% | ___% | ____ |
| 2036 (c) | 55,000 | ___% | ___% | ____ | 2048 (c) | 105,000 | ___% | ___% | ____ |
| 2037 (c) | 55,000 | ___% | ___% | ____ | 2049 (c) | 115,000 | ___% | ___% | ____ |
| 2038 (c) | 60,000 | ___% | ___% | ____ | 2050 (c) | 120,000 | ___% | ___% | ____ |
| 2039 (c) | 65,000 | ___% | ___% | ____ | 2051 (c) | 125,000 | ___% | ___% | ____ |
| 2040 (c) | 65,000 | ___% | ___% | ____ | | | | | |

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one (1) or more of the Bonds as term bonds. See "THE BONDS – Redemption Provisions."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

*This document, when further supplemented by adding additional 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 such term is defined in the Rule.*

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 or the Initial Purchaser.

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

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION" and "PREPARATION OF OFFICIAL STATEMENT – Updating of Official Statement."

This Official Statement contains "Forward-Looking" statements. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See "SALE AND DISTRIBUTION OF THE BONDS–Forward-Looking Statements" herein.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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APPENDIX A – Unaudited Financial Statements of the District

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of _____% of par, resulting in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

### Prices and Marketability

Subject to certain restrictions regarding the "hold-the-offering-price" rule as described in the Official Notice of Sale, the delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Delivery stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Forward-Looking Statements

This Official Statement contains, in part, forward-looking statements and projections, as well as estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Forward-looking statements and projections may be affected by known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Investors are cautioned that actual results could differ materially from those set forth in the forward-looking statements.

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.

### Securities Laws

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

## MUNICIPAL BOND INSURANCE

The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and the payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the expense of the Bond Initial Purchaser.

## MUNICIPAL BOND RATING

The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating on the Bonds.

*[Remainder of page left blank intentionally]*

## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE BONDS

| | |
|---|---|
| The District | Conroe Municipal Management District No. 2 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Montgomery County, Texas (the "County"). See "THE DISTRICT." |
| The Bonds | The District is issuing the $1,650,000 Conroe Municipal Management District No. 2 Unlimited Tax Bonds, Series 2026 (the "Bonds"). The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page hereof. The Bonds are dated November 1, 2026, and interest accrues from the date of delivery of the Bonds (on or about November 24, 2026) (the "Date of Delivery"), and is payable March 1, 2027, and serially on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one (1) maturity. See "THE BONDS." |
| Redemption | Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions." |
| Source of Payment | Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of Texas; the County; the City; or any entity other than the District. See "THE BONDS – Source of Payment." |
| Payment Record | The Bonds are the first issuance of bonded indebtedness by the District. |
| Authority for Issuance | At an election held within the District on November 5, 2019, voters of the District authorized the District's issuance of $81,950,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities to serve the District (the "Utility System"); $122,925,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $41,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System"); $62,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $15,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the "Park System"); and $22,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System.<br><br>The Bonds are issued pursuant to (i) an order of the Texas Commission on Environmental Quality (the "TCEQ"); (ii) an order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"); (iii) Article XVI, Section 59 of the Texas Constitution; (iv) Chapter 3391, Texas Special District Local Laws Code, Chapter 375, Texas Local Government Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; and (v) an election held within the District on November 5, 2019. See "THE BONDS – Authority for Issuance." |

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| Use of Proceeds | Proceeds from the Bonds will be used to reimburse the Developer (herein defined) for the improvements and related costs as shown under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay eighteen (18) months of capitalized interest; developer interest; and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds." |
| Qualified Tax-Exempt Obligations | The Bonds will be designated as "Qualified Tax-Exempt Obligations" for financial institutions. See "LEGAL MATTERS – Qualified Tax-Exempt Obligations." |
| Municipal Bond Insurance | The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and the payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the expense of the Bond Initial Purchaser. |
| Municipal Bond Rating | The District has not made an application for or an underlying credit rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment-grade underlying credit rating on the Bonds. |
| Bond Counsel | Coats Rose, P.C., Houston, Texas. |
| Disclosure Counsel | Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas. |
| Financial Advisor | Cedar Creek Municipal Advisors, LLC, Houston, Texas. |
| Engineer | Bleyl Engineering, Conroe, Texas. |

**THE DISTRICT**

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|---|---|
| Description | The District was created by Order of the TCEQ dated August 14, 2019. The District operates under Chapter 375 of the Texas Local Government Code in addition to Chapters 49 and 54 of the Texas Water Code and pursuant to Article XVI, Section 59 and Article III, Section 52 and 52(a), of the Texas Constitution. At the time of creation, the District consisted of approximately 174.213 acres of land. The District has since annexed approximately 118.978 acres of land and comprises approximately 293.191 total acres of land. See "THE DISTRICT – Authority" and "THE DISTRICT – Description." |
| Location | The District is located in northern Montgomery County within the corporate city limits of the City of Conroe, Texas, and approximately 44 miles north of the City of Houston, Texas. The District is located southwest of the intersection of FM 830 and Farrell Road, which becomes Conroe Park West Drive south of the District. Another part of the District is located north of Creighton Road, south of the intersection of Loop 336 South and FM 3083. Access to the main part of the District is provided by FM 830, Farrell Road, and Conroe Park West Drive. See "THE DISTRICT – Description." |
| Principal Landowner/The Developer | Maxedon Capital Investments LLC, a Texas-based domestic limited liability company ("Maxedon"), purchased approximately 174.21 acres within the District. KB is the owner of approximately 98.996 acres of land within the District. As of October 1, 2026, KB has developed Grace Landing, Section 1 on approximately 13.15 acres, which consists of 103 single-family lots. KB is herein referred to as the "Developer." |
| Development within the District | To date, approximately 13.15 acres (103 lots) within the District have been developed as the single-family residential subdivision Grace Landing Section 1. As of October 1, 2026, development within the District consisted of 79 complete homes (76 occupied and 3 unoccupied), 7 homes under construction, and 17 vacant developed lots. The remainder of land within the District includes approximately 246.96 undeveloped but developable |

| | |
|---|---|
| | acres and approximately 33.09 undevelopable acres. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District." |
| Homebuilders | KB Homes ("KB") is currently the sole homebuilder within the District. New homes being marketed in the District range in price from approximately $175,000 to approximately $215,000 and in size from approximately 1,000 square feet to over approximately 2,000 square feet. See "PRINCIPAL LANDOWNER/THE DEVELOPER." |

**RISK FACTORS**

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

*[Remainder of page left blank intentionally]*

**SELECTED FINANCIAL INFORMATION**
**(UNAUDITED)**

| | | | |
|---|---|---|---|
| 2026 Certified Assessed Value | $ | 16,402,634 | (a) |
| Estimated Assessed Value as of September 1, 2026 | $ | 30,013,835 | (b) |
| Direct Debt | | | |
| The Bonds | $ | 1,650,000 | |
| Total | $ | 1,650,000 | |
| Estimated Overlapping Debt | $ | 1,630,531 | (c) |
| Total Direct and Estimated Overlapping Debt | $ | 3,280,531 | (c) |
| Direct Debt Ratio: | | | |
| As a Percentage of the 2026 Certified Assessed Value | | 10.06 | % |
| As a Percentage of the Estimated Assessed Value as of September 1, 2026 | | 5.50 | % |
| Direct and Estimated Overlapping Debt Ratio: | | | |
| As a Percentage of the 2026 Certified Assessed Value | | 20.00 | % |
| As a Percentage of the Estimated Assessed Value as of September 1, 2026 | | 10.93 | % |
| Utility System Debt Service Fund Balance (as of Delivery of the Bonds) | $ | 136,125 | (d) |
| Operating Fund Balance (as of October 7, 2026) | $ | 110,793 | |
| 2026 Tax Rate: | | | |
| Debt Service | $ | 0.000 | |
| Maintenance and Operations | $ | 0.900 | |
| Total | $ | 0.900 | (e) |
| Estimated Average Annual Debt Service Requirement (2027–2051) | $ | 130,487 | (f) |
| Estimated Maximum Annual Debt Service Requirement (2036) | $ | 136,600 | (f) |
| Debt Service Tax Rate per $100 of Assessed Value Required to Pay the Estimated Average Annual Debt Service Requirement on the Bonds (2027–2051): | | | |
| Based on the 2026 Certified Assessed Value at 95% Tax Collections | | $0.84 | |
| Based on the Estimated Assessed Value as of September 1, 2026, at 95% Tax Collections | | $0.46 | |
| Debt Service Tax Rate per $100 of Assessed Value Required to Pay the Estimated Maximum Annual Debt Service Requirement on the Bonds (2036): | | | |
| Based on the 2026 Certified Assessed Value at 95% Tax Collections | | $0.88 | |
| Based on the Estimated Assessed Value as of September 1, 2026, at 95% Tax Collections | | $0.48 | |

(a) Represents the assessed value of all taxable property in the District as of January 1, 2026, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the Appraisal District for informational purposes only, this represents an estimate of the assessed value of all taxable property located in the District as of September 1, 2026, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2026, through September 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Represents an estimate of eighteen (18) months of capitalized interest to be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund.

(e) The District expects to levy a utility debt service tax rate for the 2027 tax year.

(f) Estimated requirement of debt service on the Bonds, assuming an estimated interest rate of 6.00%. See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

**Preliminary Official Statement**

**relating to**

**$1,650,000**

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 2**

**UNLIMITED TAX BONDS**

**SERIES 2026**

## INTRODUCTION

This Preliminary Official Statement of Conroe Municipal Management District No. 2 (the "District") is provided to furnish information with respect to the issuance by the District of the $1,650,000 Conroe Municipal Management District No. 2 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to (i) an order of the Texas Commission on Environmental Quality (the "TCEQ"); (ii) an order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"); (iii) Article XVI, Section 59 of the Texas Constitution; (iv) Chapter 3391, Texas Special District Local Laws Code, Chapter 375, Texas Local Government Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; and (v) an election held within the District on November 5, 2019.

This Official Statement includes descriptions of the Bonds, the Developer (herein defined), the Bond Order, 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 Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

## RISK FACTORS

### General

The Bonds, which are obligations of the District and not of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any entity other than the District, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District 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 representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. 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. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The District is situated in the City of Houston, Texas ("Houston") Metropolitan area, and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

**Principal Landowners/Developer:** There is no commitment by, or legal requirement of, the principal landowners, the Developer, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/THE DEVELOPER" and "TAX DATA – Principal Taxpayers."

**Dependence on Principal Taxpayers and the Developer:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2026, the District's ten (10) principal taxpayers owned property located within the District the aggregate assessed value of which comprised approximately 38.64% of the District's total assessed value. Maxedon (herein defined) and the Developer own approximately 24.32% of the District's assessed value as of January 1, 2026. While the development of the lots is currently ongoing, the District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. See "PRINCIPAL LANDOWNER/THE DEVELOPER."

In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed value as of January 1, 2026, of all taxable property located within the District is $16,402,634 and the estimated assessed value as of September 1, 2026, of all taxable property located within the District is $30,013,835. See "DISTRICT DEBT."

After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds (2036) will be $136,600 and the estimated average annual debt service requirement on the Bonds (2027–2051) will be $130,487. Assuming no decrease to the District's assessed value as of January 1, 2026, tax rates of $0.88 and $0.84 per $100 of assessed value at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds and the estimated average annual debt service requirement on the Bonds, respectively. Assuming no decrease from the District's estimated assessed value as of September 1, 2026, tax rates of $0.48 and $0.46 per $100 of assessed value at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds and the estimated average annual debt service requirement on the Bonds, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2026 tax year, the District levied a total tax rate of $0.90 per $100 of assessed value comprised wholly of a maintenance and operations tax rate of $0.90 per $100 of assessed value. See "DISTRICT DEBT" and "TAX DATA."

**Competition:** The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

**Location and Access:** The District is located approximately 44 miles north of the central business district of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT OF THE DISTRICT."

**Increase in Costs of Building Materials**

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

**Competitive Nature of Residential Housing Market**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

**Tax Collections and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**Operating Funds**

The District levied a 2026 maintenance tax of $0.90 per $100 of assessed valuation. The District's general fund balance on October 7, 2026, was $110,793. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, and (2) increased amounts of maintenance tax revenue. In the event that funds are not made available by the Developer, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE SYSTEM – General Fund Operating Statement."

**Registered Owners' Remedies**

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

**Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

**Marketability**

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

**Future Debt**

At an election held within the District on November 5, 2019, voters of the District authorized the District's issuance of $81,950,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities to serve the District (the "Utility System"); $122,925,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $41,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System"); $62,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $15,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the "Park System"); and $22,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System. See "THE BONDS – Authority for Issuance."

The Bonds are the first series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Utility System. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining $80,300,000 unlimited tax bonds for the purpose of constructing or acquiring the Utility System and the $15,000,000 unlimited tax bonds for the purpose of constructing or acquiring the Park System shall be subject to approval by the TCEQ.

Following reimbursement from the proceeds of the Bonds, the District will owe the Developer approximately $2,005,257 for its expenditures to construct or acquire the Road System, approximately $1,777,344 for its expenditures to construct or acquire the Utility System, and approximately $236,308 for its expenditures to construct or acquire the Park System, pursuant to a reimbursement agreement. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

**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."

**Consolidation**

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one (1) or more districts, although no consolidation is presently contemplated by the District.

**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, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

As required by law, engineering plans, specifications, and estimated of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. The Attorney General of the State of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of the State of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement. Neither the TCEQ nor the Attorney General of the State of Texas passes upon or guarantees the security of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

**Environmental Regulations**

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

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

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

***Air Quality Issues.*** Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight (8)-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 (2) separate federal ozone standards: the eight (8)-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 (8)-hour ozone standard in 2015 (the "2015 Ozone Standard"). While 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.

On October 7, 2022, the EPA published final notice reclassifying the HGB Area from "serious" to "severe" under the 2008 Ozone Standard, effective November 7, 2022. The "severe" nonattainment area classification 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 attainment deadline for the HGB Area under the 2008 Ozone Standard is July 20, 2027, with an attainment year of 2026.

The HGB Area is currently designated as a "serious" nonattainment area under the 2015 Ozone Standard, effective November 7, 2022. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The attainment deadline for the HGB Area under the 2015 Ozone Standard is August 3, 2027, with an attainment year of 2026.

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. Construction activities are subject to the City of Conroe's MS4 Stormwater Management Program; however, the District will likely be required to develop a Stormwater Management Program ("SWMP") and submit related notice of intent to the TCEQ for discharge from the detention pond. 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

**Dependence on the Oil and Gas Industry**

The volatility in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas

industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by the proceeds of a continuing direct annual ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

**Severe Weather Events**

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

The Texas Gulf Coast area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four (4) days.

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

**National Weather Service Atlas 14 Rainfall Study**

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

**Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

**Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the assessed value of the District or an increase in the District's tax rate.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period

in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

**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 90th Texas Legislature**

The regular sessions of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

**Bond Insurance Risk Factors**

*The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The purchase of such insurance, if available, will be at the option and expense of the Initial Purchaser.*

If an insurance policy is available for purchase with the Bonds, and purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy on the Bonds, (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District nor Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

**Cybersecurity**

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive, protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches may be limited.

## THE BONDS

**General**

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page hereof. The Bonds are dated November 1, 2026, and interest accrues from the date of delivery of the Bonds (on or about November 24, 2026) (the "Date of Delivery"), and is payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. The Bonds are fully registered bonds maturing on September 1 of the years and in the amounts shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC 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 required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such

as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ by S&P Global Ratings. The DTC rules applicable to its Participants are on file with the SEC. 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 purchase of each Security ("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 Only 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.

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

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

Redemption proceeds, principal, and interest 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 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 of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and DTC's Book-Entry Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

*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 form, 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 Bond Order will be given only to DTC.

**Successor Paying Agent/Registrar**

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

**Registration, Transfer and Exchange**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

**Funds**

The Bond Order creates a fund for debt service on the Bonds (the "Utility System Debt Service Fund"). Eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited 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 and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Utility System Debt Service 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 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.

**Redemption Provisions**

Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

**Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

**Authority for Issuance**

At an election held within the District on November 5, 2019, voters of the District authorized the District's issuance of $81,950,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System; $122,925,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $41,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; $62,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $15,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Park System; and $22,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System.

The Bonds are issued pursuant to (i) an order of the TCEQ; (ii) the Bond Order adopted by the Board; (iii) Article XVI, Section 59 of the Texas Constitution; (iv) Chapter 3391, Texas Special District Local Laws Code, Chapter 375, Texas Local Government Code, and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; and (v) an election held within the District on November 5, 2019.

**Source of Payment**

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Utility System Debt Service Fund and used solely to pay principal of and interest on the Bonds, and any additional bonds payable from taxes which may be issued for the purpose of acquiring or constructing the Utility System.

The Bonds represent the first series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Utility System.

The Bonds are obligations solely of the District and are not the obligations of Texas; the County; the City; or any entity other than the District.

**Issuance of Additional Debt**

The Bonds represent the first series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $80,300,000 principal amount of constructing or acquiring the Utility System; $122,925,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $41,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; $62,700,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $15,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Park System; and $22,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Park System. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order.

The District's issuance of the remaining $80,300,000 unlimited tax bonds for the purpose of constructing or acquiring the Utility System and the $15,000,000 unlimited tax bonds for the purpose of constructing or acquiring the Park System shall be subject to approval by the TCEQ.

Following reimbursement from the proceeds of the Bonds, the District will owe the Developer approximately $2,005,257 for its expenditures to construct or acquire the Road System, approximately $1,777,344 for its expenditures to construct or acquire the Utility System, and approximately $236,308 for its expenditures to construct or acquire the Park System, pursuant to a reimbursement agreement. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. The District has no current plans to submit an application for approval of a fire protection plan.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a park bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance. However, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District.

**No Arbitrage**

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

**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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision 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, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

**Legal Investment and Eligibility to Secure Public Funds in Texas**

Section 49.186 of the Texas Water Code is applicable to the District and provides:

> (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.

**Remedies in the 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 also may not be available. See "RISK FACTORS – Registered Owners' Remedies."

*[Remainder of page left blank intentionally]*

**Use and Distribution of Bond Proceeds**

Proceeds from the Bonds will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the Bonds will be used to pay eighteen (18) months of capitalized interest; developer interest; and other certain costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (each herein defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

| **Construction Costs** | District's Share |
|---|---|
| A. Developer Contribution Items | |
| 1. Grace Landing Section 1 – Detention | $ 926,392 |
| 2. Grace Landing Section 1 – W, WW, & D | 124,000 |
| 3. Engineering (Item No. 1) | 48,929 |
| 4. Special Engineering Report (Item No. 1) | 76,053 |
| Total Developer Contribution Items | $ 1,175,374 |
| B. District Contribution Items | |
| None | $ – |
| TOTAL CONSTRUCTION COSTS (71.23% of Bond Issue) | $ 1,175,374 |
| **Non-Construction Costs** | |
| A. Legal Fees | $ 49,500 |
| B. Fiscal Agent Fees | 33,000 |
| C. Interest | |
| 1. Capitalized Interest (18 months at 5.50%) | 136,125 |
| 2. Developer Interest | 129,265 |
| D. Bond Discount (3.00%) | 49,500 |
| E. Bond Issuance Expenses | 44,586 |
| F. Bond Application Report | 26,875 |
| G. Attorney General Fee (0.10% or a maximum of $9,500) | 1,650 |
| H. TCEQ Bond Issuance Fee (0.25%) | 4,125 |
| Total Non-Construction Costs | $ 474,626 |
| **TOTAL BOND ISSUE REQUIREMENT** | **$ 1,650,000** |

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for any lawful purpose for which surplus construction funds may be used. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes. Per the TCEQ order approving the issuance of the Bonds, the District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate that that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds.

*[Remainder of page left blank intentionally]*

## THE DISTRICT

### Authority

The District was created by an order of the TCEQ dated August 14, 2019. The District operates under Chapter 375 of the Texas Local Government Code in addition to Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52 and 52(a), of the Texas Constitution. At the time of creation, the District comprised approximately 174.213 acres of land. The District has since annexed approximately 118.978 acres of land and comprises approximately 293.191 total acres of land.

### Description

The District is located in northern Montgomery County within the corporate city limits of the City of Conroe, Texas, and approximately 44 miles north of the City of Houston, Texas. The District is located southwest of the intersection of FM 830 and Farrell Road, which becomes Conroe Park West Drive south of the District. Another part of the District is located north of Creighton Road, south of the intersection of Loop 336 South and FM 3083. Access to the main part of the District is provided by FM 830, Farrell Road, and Conroe Park West Drive.

### Management of the District

The District is governed by a board, consisting of five (5) directors appointed by the City, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms:

| Name | Position | Term Expires May |
|---|---|---|
| Oliver Salgado | President | 2027 |
| Michael Kragh | Vice President | 2029 |
| Tarynn Fossati | Secretary | 2029 |
| Taylor McBride | Assistant Secretary | 2027 |
| William Niven | Assistant Secretary | 2027 |

### Investment Policy

The District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

### Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, financial advising, engineering, and legal services as follows:

*Tax Assessor/Collector*: The tax assessor/collector for the District is Utility Tax Service, LLC (the "Tax Assessor/Collector").

*Auditor:* The District has engaged McGrath and Co., PLLC, to prepare an audit of the District's financial statements for the District's fiscal year ended April 30, 2027. Such audited financial statements for the District's fiscal year ended April 30, 2027, are expected to be finalized and filed with the TCEQ by October 31 of 2027. For fiscal years ended prior to April 30, 2027, the District was not required under the Texas Water Code to retain an independent auditor to perform an audit of its financial statements. The District's unaudited financial statements for the fiscal years ending April 30, 2024, April 30, 2025, and April 30, 2026, are attached as "APPENDIX A." The unaudited financial statements for the fiscal year ended April 30, 2026, are the most recent financial statements filed by the District with the TCEQ.

*Bookkeeper*: The District's bookkeeper is L&S District Services, LLC.

*Engineer*: The District's engineer is Bleyl Engineering (the "Engineer").

*General & Bond Counsel*: The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

*Disclosure Counsel*: Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, serves as disclosure counsel ("Disclosure Counsel") to the District. The fee to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

*Financial Advisor*: Cedar Creek Municipal Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

## AGREEMENTS WITH THE CITY OF CONROE AND CTM HOLDINGS, LLC

CTM Holdings, LLC ("CTM"), acting on behalf of the District, entered into the Utility Functions Agreement (the "Utility Agreement") with the City. Pursuant to the Utility Agreement, the District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection, drainage, and road facilities (the "Facilities") to serve development within the District. The City has agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition, and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge. In accordance with the Utility Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

The term of the Utility Agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until certain conditions have been met, including (i) 90% of the District's facilities have been developed and (ii) the Developer have been reimbursed for advancing funds to construct the Facilities to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligations for such payment by the District under such rules.

## DEVELOPMENT OF THE DISTRICT

### Status of Development within the District

To date, approximately 13.15 acres (103 lots) within the District have been developed as the single-family residential subdivision Grace Landing Section 1. As of October 1, 2026, development within the District consisted of 79 complete homes (76 occupied and 3 unoccupied), 7 homes under construction, and 17 vacant developed lots. The remainder of land within the District includes approximately 246.96 undeveloped but developable acres and approximately 33.09 undevelopable acres.

The table below summarizes the status of development and land use within the District as of October 1, 2026:

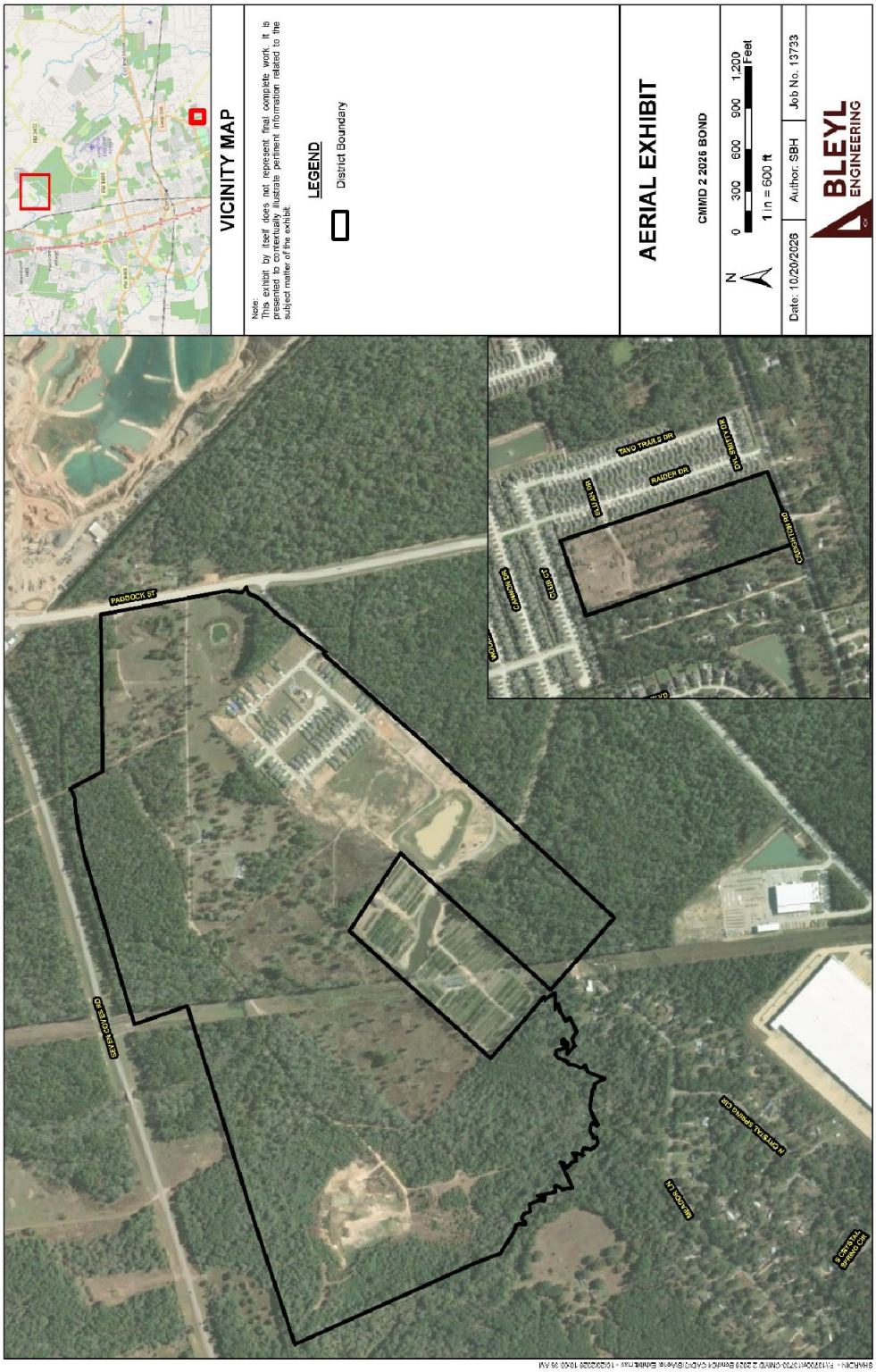
| | Acreage | Section Lots | Homes Completed | Homes Under Construction | Vacant Lots |
|---|---|---|---|---|---|
| Grace Landing, Section 1 | 13.15 | 103 | 79 | 7 | 17 |
| Totals | 13.15 | 103 | 79 | 7 | 17 |
| | | | | | |
| Undevelopable | 33.09 | | | | |
| Remaining Developable | 246.96 | | | | |
| | | | | | |
| District Total | 293.19 | | | | |

### Homebuilder within the District

KB Homes ("KB") is currently the sole homebuilder within the District. New homes being marketed in the District range in price from approximately $175,000 to approximately $215,000 and in size from approximately 1,000 square feet to over approximately 2,000 square feet. See "PRINCIPAL LANDOWNER/THE DEVELOPER."

**AERIAL PHOTOGRAPH OF THE DISTRICT**

**(October 2026)**



**PHOTOGRAPHS TAKEN IN THE DISTRICT**

**(October 2026)**














## PRINCIPAL LANDOWNER/THE DEVELOPER

### Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### Principal Landowner/The Developer

Maxedon Capital Investments LLC, a Texas-based domestic limited liability company ("Maxedon"), purchased approximately 174.21 acres within the District. KB is the owner of approximately 98.996 acres of land within the District. As of October 1, 2026, KB has developed Grace Landing, Section 1 on approximately 13.15 acres, which consists of 103 single-family lots. KB is herein referred to as the "Developer."

KB is an indirect wholly owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH." For more information, visit www.kbhome.com. Except for the payment of ad valorem taxes on any property owned by KB within the District, KB is not responsible for or liable for, and has not made any commitment for, payment of the Bonds or other obligations of the District. KB Home is not a Developer, is not obligated to the District or the bond holders in any manner and is not guaranteeing payment of any obligations to the District of the bond holders.

KB is herein referred to as the "Developer."

## UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE

The District operates pursuant to a Utility Functions Agreement between the City and the District (the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities, and road facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind. In accordance with the Utility Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until 90% of the District's Facilities have been developed and the Developer advancing funds to construct the Facilities have been reimbursed.

## THE SYSTEM

### General

The water, wastewater, and drainage facilities and systems, the purchase, acquisition and construction of which will be financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the water, wastewater, and drainage facilities and systems have been approved by all governmental agencies that have jurisdiction over the District.

### General Fund Operating Statement

See "APPENDIX A" for the District's unaudited financial statements for the fiscal years ended April 30, 2024, April 30, 2025, and April 30, 2026. The unaudited financial statements for the fiscal year ended April 30, 2026, are the most recent financial statements filed by the District with the TCEQ.

*[Remainder of page left blank intentionally]*

**DISTRICT DEBT**

| | | | |
|---|---|---|---|
| 2026 Certified Assessed Value | $ | 16,402,634 | (a) |
| Estimated Assessed Value as of September 1, 2026 | $ | 30,013,835 | (b) |
| Direct Debt | | | |
| The Bonds | $ | 1,650,000 | |
| Total | $ | 1,650,000 | |
| Estimated Overlapping Debt | $ | 1,630,531 | (c) |
| Total Direct and Estimated Overlapping Debt | $ | 3,280,531 | (c) |
| Direct Debt Ratio: | | | |
| As a Percentage of the 2026 Certified Assessed Value | | 10.06 | % |
| As a Percentage of the Estimated Assessed Value as of September 1, 2026 | | 5.50 | % |
| Direct and Estimated Overlapping Debt Ratio: | | | |
| As a Percentage of the 2026 Certified Assessed Value | | 20.00 | % |
| As a Percentage of the Estimated Assessed Value as of September 1, 2026 | | 10.93 | % |
| Utility System Debt Service Fund Balance (as of Delivery of the Bonds) | $ | 136,125 | (d) |
| Operating Fund Balance (as of October 7, 2026) | $ | 110,793 | |
| 2026 Tax Rate: | | | |
| Debt Service | $ | 0.000 | |
| Maintenance and Operations | $ | 0.900 | |
| Total | $ | 0.900 | (e) |
| Estimated Average Annual Debt Service Requirement (2027–2051) | $ | 130,487 | (f) |
| Estimated Maximum Annual Debt Service Requirement (2036) | $ | 136,600 | (f) |
| Debt Service Tax Rate per $100 of Assessed Value Required to Pay the Estimated Average Annual Debt Service Requirement on the Bonds (2027–2051): | | | |
| Based on the 2026 Certified Assessed Value at 95% Tax Collections | | $0.84 | |
| Based on the Estimated Assessed Value as of September 1, 2026, at 95% Tax Collections | | $0.46 | |
| Debt Service Tax Rate per $100 of Assessed Value Required to Pay the Estimated Maximum Annual Debt Service Requirement on the Bonds (2036): | | | |
| Based on the 2026 Certified Assessed Value at 95% Tax Collections | | $0.88 | |
| Based on the Estimated Assessed Value as of September 1, 2026, at 95% Tax Collections | | $0.48 | |

(a) Represents the assessed value of all taxable property in the District as of January 1, 2026, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the Appraisal District for informational purposes only, this represents an estimate of the assessed value of all taxable property located in the District as of September 1, 2026, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2026, through September 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Represents an estimate of eighteen (18) months of capitalized interest to be deposited into the Utility System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund.

(e) The District expects to levy a utility debt service tax rate for the 2027 tax year.

(f) Estimated requirement of debt service on the Bonds, assuming an estimated interest rate of 6.00%. See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

**Estimated Debt Service Requirement Schedule**

The following schedule sets forth the principal and estimated interest requirements on the Bonds, assuming the Bonds are issued at an interest rate of 6.00%. Totals may not sum due to rounding.

| Calendar Year | The Bonds | | |
|---|---|---|---|
| | Principal | Interest | Debt Service |
| 2027 | $ – | $ 76,175 | $ 76,175 |
| 2028 | – | 99,000 | 99,000 |
| 2029 | 35,000 | 99,000 | 134,000 |
| 2030 | 35,000 | 96,900 | 131,900 |
| 2031 | 40,000 | 94,800 | 134,800 |
| 2032 | 40,000 | 92,400 | 132,400 |
| 2033 | 45,000 | 90,000 | 135,000 |
| 2034 | 45,000 | 87,300 | 132,300 |
| 2035 | 50,000 | 84,600 | 134,600 |
| 2036 | 55,000 | 81,600 | 136,600 |
| 2037 | 55,000 | 78,300 | 133,300 |
| 2038 | 60,000 | 75,000 | 135,000 |
| 2039 | 65,000 | 71,400 | 136,400 |
| 2040 | 65,000 | 67,500 | 132,500 |
| 2041 | 70,000 | 63,600 | 133,600 |
| 2042 | 75,000 | 59,400 | 134,400 |
| 2043 | 80,000 | 54,900 | 134,900 |
| 2044 | 85,000 | 50,100 | 135,100 |
| 2045 | 90,000 | 45,000 | 135,000 |
| 2046 | 95,000 | 39,600 | 134,600 |
| 2047 | 100,000 | 33,900 | 133,900 |
| 2048 | 105,000 | 27,900 | 132,900 |
| 2049 | 115,000 | 21,600 | 136,600 |
| 2050 | 120,000 | 14,700 | 134,700 |
| 2051 | 125,000 | 7,500 | 132,500 |
| Total | $ 1,650,000 | $ 1,612,175 | $ 3,262,175 |

Estimated Average Annual Debt Service Requirement (2027–2051) ..... $ 130,487

Estimated Maximum Annual Debt Service Requirement (2036) ..... $ 136,600

*[Remainder of page left blank intentionally]*

**Direct and Estimated Overlapping Debt Statement**

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in *Texas Municipal Reports*, published by the Municipal Advisory Council of Texas, or other 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.

| Taxing Jurisdiction | Outstanding Debt August 31, 2026 | Overlapping Percent | Overlapping Amount |
|---|---|---|---|
| Montgomery County | $ 535,450,000 | 0.02% | $ 89,773 |
| City of Conroe | 466,075,000 | 0.11% | 506,231 |
| Lone Star College | 338,975,000 | 0.00% | 16,118 |
| Willis ISD | 433,710,000 | 0.23% | 1,018,410 |
| Total Estimated Overlapping Debt | | | $ 1,630,531 |
| Direct Debt (a) | | | $ 1,650,000 |
| Total Direct and Estimated Overlapping Debt (b) | | | $ 3,280,531 |

(a) The Bonds.

(b) Includes the Bonds

**Debt Ratios**

| | |
|---|---|
| Ratio of Direct Debt (a): | |
| As a Percentage of the 2026 Certified Assessed Value | 10.06 % |
| As a Percentage of the Estimated Assessed Value as of September 1, 2026 | 5.50 % |
| Ratio of Direct and Estimated Overlapping Debt (a): | |
| As a Percentage of the 2026 Certified Assessed Value | 20.00 % |
| As a Percentage of the Estimated Assessed Value as of September 1, 2026 | 10.93 % |

(a) Includes the Bonds.

## TAXING PROCEDURES

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation" and "RISK FACTORS – Future Debt."

**Property Tax Code and County-Wide Appraisal District**

Title I of the Texas Tax Code (the "Property Tax Code"), specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three (3) years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

**Property Subject to Taxation by the District**

***General:*** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income and mobile homes are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District did not adopt such exemption for the 2026 tax year. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Beginning with the 2026 tax year, all intangible personal property is exempt from state taxation.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between $5,000 and $12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential 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 the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has

not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

***Residential Homestead Exemptions**:* The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has not adopted a general homestead exemption.

***Freeport Goods and Goods-in-Transit Exemption:*** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

**Tax Abatement**

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed value of property covered by the agreement over its assessed value in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

**Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the "Governor") on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the

business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

**Disaster Exemption**

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the Governor. 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.

**Tax Payment Installments After Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

**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 timely petition for review in district court. 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 compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

**Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. A person over 65 years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District. The delinquent tax also accrues interest at a rate 1% for each month or portion of a month it remains unpaid. 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 at least 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 equal 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 within the District in the preceding 24 months.

**Rollback of Operation and Maintenance Tax Rate**

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

*Special Taxing Units*

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

*Developed Districts*

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

*Developing Districts*

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

*The District*

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

**District's Rights in the Event of Tax Delinquencies**

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

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

## TAX DATA

**General**

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." In the Bond Order, the Board covenants 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 "THE BONDS" and "RISK FACTORS." For the 2026 tax year, the District levied a total tax rate of $0.90 per $100 of assessed value comprised wholly of a maintenance and operations tax rate of $0.90 per $100 of assessed value.

**Tax Rate Limitation**

| | |
|---|---|
| Road Debt Service | Unlimited (no legal limit as to rate or amount). |
| Utility Debt Service | Unlimited (no legal limit as to rate or amount). |
| Maintenance and Operation General | $1.50 per $100 assessed value. |
| Maintenance and Operation Road | $1.50 per $100 assessed value. |
| Maintenance and Operation Recreation | $0.10 per $100 assessed value. |

**Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such general maintenance tax in an amount not to exceed $1.50 per $100 of assessed value. The Board is authorized by the District's voters to levy a road maintenance tax in an amount not to exceed $1.50 per $100 of assessed value. The Board is authorized by the District's voters to levy a recreation maintenance tax in an amount not to exceed $0.10 per $100 of assessed value. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. For the 2026 tax year, the District levied a total tax rate of $0.90 per $100 of assessed value comprised wholly of a maintenance and operations tax rate of $0.90 per $100 of assessed value. See "TAX DATA – Tax Rate Distribution."

**Tax Exemption**

As discussed in the section entitled "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

**Historical Tax Collections**

The following table illustrates the collection history of the District for the 2024–2026 tax years:

| Tax Year | Assessed Value | Tax Rate | Adjusted Tax Levy | Collections Current Year | Current Year Ending 09/30 | Collections 09/30/2026 |
|---|---|---|---|---|---|---|
| 2024 | $ 7,135,582 | 0.900 | $ 64,220 | 98.67% | 2025 | 99.24% |
| 2025 | 16,011,958 | 0.900 | 144,108 | 90.60% (a) | 2026 | 90.60% (a) |
| 2026 | 16,402,634 | 0.900 | 147,624 | (b) | 2027 | (b) |

(a) Tax collections in 2025 were low due to delays with the Appraisal District in updating and correcting mailing addresses. As a result, tax statements were not issued and mailed to the correct address. The District and affected landowners have since worked with the Appraisal District in resolving ownership records.

(b) In process of collections. Taxes for the 2026 tax year are due without penalty by January 31, 2027.

**Tax Rate Distribution**

The following table illustrates the tax rate components of the District's for the 2023–2026 tax years:

| | 2026 | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| Debt Service | $ 0.000 | $ 0.000 | $ 0.000 | $ 0.000 |
| Maintenance & Operations | 0.900 | 0.900 | 0.900 | 0.900 |
| Total | $ 0.900 | $ 0.900 | $ 0.900 | $ 0.900 |

**Analysis of Tax Base**

The following table illustrates the types of property comprising the assessed value of the District (as of January 1) for the 2023–2026 tax years:

| Type of Property | 2026 Assessed Value | 2025 Assessed Value | 2024 Assessed Value | 2023 Assessed Value |
|---|---|---|---|---|
| Land | $ 7,210,282 | $ 7,105,725 | $ 6,357,495 | $ 2,397,920 |
| Improvements | 9,477,375 | 9,117,806 | 778,087 | 77,230 |
| Personal Property | 45,120 | 37,940 | 0 | 0 |
| Exemptions | (330,143) | (249,513) | 0 | 0 |
| Total | $ 16,402,634 | $ 16,011,958 | $ 7,135,582 | $ 2,475,150 |

**Principal Taxpayers**

The following table illustrates the principal taxpayers, types of property, and assessed values of the District as of January 1, 2026:

| Taxpayer | Type of Property | 2026 Assessed Value | Percent of 2026 Assessed Value |
|---|---|---|---|
| KB Home Lone Star LP (a) | Land & Improvements | $ 2,770,870 | 16.89% |
| Maxedon Capital Investments LLC (a) | Land & Improvements | 1,217,645 | 7.42% |
| Homeowner | Land & Improvements | 358,000 | 2.18% |
| Homeowner | Land & Improvements | 329,558 | 2.01% |
| Homeowner | Land & Improvements | 290,369 | 1.77% |
| Homeowner | Land & Improvements | 290,141 | 1.77% |
| Homeowner | Land & Improvements | 283,818 | 1.73% |
| Homeowner | Land & Improvements | 267,926 | 1.63% |
| Homeowner | Land & Improvements | 267,056 | 1.63% |
| Homeowner | Land & Improvements | 262,495 | 1.60% |
| Total | | $ 6,337,878 | 38.64% |

(a) See "PRINCIPAL LANDOWNER/THE DEVELOPER."

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed value that would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the District's assessed value as of January 1, 2026 ($16,402,634) or the estimated assessed value as of September 1, 2026 ($30,013,835). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

| | |
|---|---|
| Estimated Combined Average Annual Debt Service Requirement (2027–2051) | $ 130,487 |
| Debt Service Tax Rate of $0.84 on the 2026 Certified Assessed Value Produces | $ 130,893 |
| Debt Service Tax Rate of $0.46 on the Estimated Assessed Value as of September 1, 2026, Produces | $ 131,160 |
| Estimated Combined Maximum Annual Debt Service Requirement (2036) | $ 136,600 |
| Debt Service Tax Rate of $0.88 on the 2026 Certified Assessed Value Produces | $ 137,126 |
| Debt Service Tax Rate of $0.48 on the Estimated Assessed Value as of September 1, 2026, Produces | $ 136,863 |

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, 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. See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

Set forth below is an estimation of all 2026 taxes per $100 of assessed value levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

| Taxing Jurisdiction | 2026 Tax Rate |
|---|---|
| Montgomery County | $ 0.386000 |
| Montgomery County Hospital | 0.047300 |
| City of Conroe | 0.427200 |
| Lone Star College | 0.105800 |
| Willis ISD | 0.999800 |
| The District | 0.900000 |
| Total | $ 2.866100 |

## LEGAL MATTERS

**Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel may be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel.

**No-Litigation Certificate**

The District will furnish the Initial Purchasers a certificate, as of the Date of Delivery, executed by both the President of the Board and the Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

**No Material Adverse Change**

The obligations of the Initial Purchasers to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the 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.

## TAX MATTERS

**Tax Exemption**

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes is excludable from the gross income of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds," the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Code, as amended.

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

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

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

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

**Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one (1) or more maturities of the Bonds is less than the principal amount thereof or one (1) or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one (1) year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one (1) year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six (6)-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six (6)-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

**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.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one (1) 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 (1) 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.

**Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

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

### Consultants

In approving this Official Statement the District has relied upon the following consultants:

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

*Engineer:* The information contained in this Official Statement relating to engineering and to the description of the water, sewer and drainage system and, in particular that information included in the sections entitled "THE DISTRICT – Authority," "THE DISTRICT – Description," and "DEVELOPMENT OF THE DISTRICT" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

### Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the 91st day after the "end of the underwriting period" (as defined in SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

### Certification as to Official Statement

The District, acting by and through its Board in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge, 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.

## CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District does not have more than $10,000,000 in aggregate principal amount of bonds outstanding and no person is committed by contract or other agreement with respect to payment of the Bonds. As required by the exemption, and 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, audited financial statements and timely notice of certain specified events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

### Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type under the heading "APPENDIX A – Unaudited Financial Statements of the District." The District will update and provide this information to EMMA within six (6) months after the end of each of its fiscal years ending in or after 2027.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report 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 (6) month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is April 30, and it must provide updated information within six (6) months after the end of each fiscal year. Accordingly, the District must provide updated information by October 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 10 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. 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. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

**Availability of Information from MSRB**

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

**Limitations and Amendments**

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

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

**Compliance with Prior Undertakings**

The Bonds are the first issuance of bonded indebtedness by the District, and as such, the District has not previously entered into a continuing disclosure agreement pursuant to the Rule.

## CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Conroe Municipal Management District No. 2 as of the date shown on the cover of this Official Statement.

/s/ _____
President, Board of Directors
Conroe Municipal Management District No. 2

ATTEST:

/s/ _____
Secretary, Board of Directors
Conroe Municipal Management District No. 2

**APPENDIX A**

**Unaudited Financial Statements of the District**

# ANNUAL FINANCIAL REPORT

*Of*

| | |
|---|---|
| **Legal Name of District or Authority:** | Conroe MMD 2 |
| For the Fiscal Year Ended: | 04/30/2026 |
| Preparer: | L & S District Services LLC |
| Title: | Bookkeeper |
| Date: | 6/8/26 |
| Telephone Number: (AC) | (281) 356-7542 |

| P.O. Box 80 | Tomball, Texas | 77377-0000 |
|---|---|---|
| **District's Mailing Address** | **City, State** | **Zip Code** |

# AUDIT REPORT EXEMPTION

Texas Water Code §49.198. AUDIT REPORT EXEMPTION (effective September 1, 2011)

**§49.198(a)** A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:

**§49.198(a)(1)** The district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;

**§49.198(a)(2)** The district did not have gross receipts from operations, loans, taxes, or contributions in excess of $250,000 during the fiscal period; and

**§49.198(a)(3)** The district's cash and temporary investments were not in excess of $250,000 during the fiscal period.

**§49.198(b)** The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.

**§49.198(c)** The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.

**§49.198(d)** Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

# FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Conroe MMD 2 as of

*(Name of District)*

04/30/2026 I also certify that the above district has complied in full

*(Date of Fiscal Year End)*

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

c/o Coats Rose, 16000 Dallas Pkwy, Suite 350, Dallas, Texas 75248

*(Address of District)*

Crystal McBride, Bookkeeper

*(Typed Name and Title)*

CMcBride

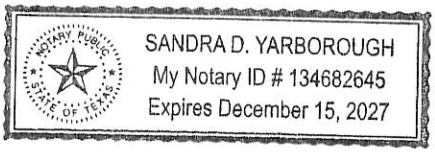
*(Signature of Affiant)* *(Date)*

Subscribed and Sworn to before me by this 8 day of 6

Sandra Yarborough In and For Harris County, Texas

Sandra Yarborough December 15, 2027

*(Typed Name of Notary)* *(My Commission Expires On)*



District Name:

## MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION

as of the District's Fiscal Year-End

A. **Disclosures to comply with Rule 30 TAC 293.95(b)**

(1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities. ☐ Yes ☒ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☐ Yes ☒ No

These payments are estimated to cumulatively be:

| Cost | Amount |
|---|---|
| Organization Costs | |
| Construction Costs | |
| Administration Cost | |
| **Total Costs** | |

(2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report? ☐ Yes ☒ No

If yes, explain:

B. **Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j)**. The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512-239-4691.

C. **Additional Information.**

This report should be sent to:

District Creation Review Team,
MC-152
Texas Commission on Environmental Quality
P.O. Box 13087 Austin, TX 78711-3087

Phone Number: 512-239-4691
Fax Number: 512-239-6190

# BALANCE SHEET – CASH BASIS

| Asset Type | | Amount |
|---|---|---|
| Cash on Hand | | |
| Cash in Bank (Schedule A) | | $ 144,816 |
| Investment (Schedule B) | | |
| Total Cash and Investments[i] | | |
| Accrued Interest Receivable – Optional (Schedule B) | | |
| Inventory | | |
| General Fixed Assets | | |
| Other Assets | | |
| (Explain): | | |
| | **Total Assets:**[ii] | $ 144,816 |

| LIABILITIES AND EXCESS | | Amount |
|---|---|---|
| Notes Payable | | |
| Refundable Deposits | | |
| Developer Advances | | |
| Other Liabilities | | $ 150,241 |
| (Explain): | maintenance taxes, interest income | |
| Total Liabilities | | $ 150,241 |
| Excess Assets Over Liabilities | | $ 150,241 |
| Total Liabilities and Excess[iii] | | $ 295,057 |

**Note to Preparer:**

---

[i] "Total Cash and Investments" must equal "Cash and Investments – End of Year "on the Statement of Receipts and Disbursement", page 5.
[ii] Must equal "Total Liabilities and Excess"
[iii] Must equal "Total Assets"

# STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

| Receipts | Amount |
|---|---|
| Service Revenues | |
| Tax Receipts | $ 150,000 |
| Penalty and Interest Received | $ 241 |
| Interest Received on Investments | |
| Loans or Advances | |
| All Other Receipts | |
| (Explain): | |
| **Total Receipts** | $ 150,241 |

| Less Disbursements | Amount |
|---|---|
| Purchased Services for Resale | |
| Payroll | |
| Legal, Accounting, or Contract Service | $ 28,701 |
| Supplies and Materials | |
| Maintenance | |
| Note Payments and Repayment of Advances | |
| All other Disbursements (Schedule C) | $ 683 |
| Total Disbursements | $ 29,384 |
| Excess of Receipts Over (under) Disbursements | $ 120,858 |
| Cash and Investments – Beginning of Year | $ 144,816 |
| Cash and Investment – End of Year (see Note 1 Page 4) | $ 144,816 |

**Note to Preparer:** In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials." Please refer to Explanation of Terms, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

## SCHEDULE A 1 – CASH IN BANK[i]

| Name of Bank | Account Number | Purpose of Account | Balance |
|---|---|---|---|
| Central Bank | 6,001,564 | GOF-Checking | $ 144,816 |
| | | | |
| | | | |
| | | TOTAL | $ 144,816 |

## SCHEDULE B – INVESTMENTS[ii]

| Type of Investment | Name of Bank | Certificate Number | Interest Rate | Maturity Date | Principal Balance | (Optional) Accrued Interest |
|---|---|---|---|---|---|---|
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | | TOTALS | | |

## SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS[iii]

| Description of Disbursements[iv] | Amount |
|---|---|
| Travel Expenses | $ 576 |
| Misc other expenses | $ 107 |
| | |
| | |
| | |
| | |
| TOTAL | $ 683 |

[i] Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
[ii] Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of "Principal Balance" and "Accrued Interest."
[iii] Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of "All Other Disbursements."
[iv] A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

# EXPLANATION OF TERMS

**All Other Disbursements** - This classification should be used only for payments, which cannot be classified properly in the six remaining accounts listed on the Statement of Receipts and Disbursements. Schedule C, page 6, should be completed for any report, which utilizes the "All Other Disbursements" classification.

**Cash Basis** - The financial statements contained in this report are to be prepared on the cash basis of accounting. They are not intended to be in conformity with Generally Accepted Accounting Principles (GAAP). Only transactions involving the exchange of cash should be included in these statements. No liabilities should be recorded unless they arise from the transfer of money. Exceptions to this rule are listed in "Investments" and "General Fixed Assets" below. Receipts and disbursements should not be recorded until payment is made. For the purpose of the Statement of Receipts and Disbursements, movement of funds between checking accounts and investments should not be considered as receipts or disbursements.

**Cash on Hand** - Petty cash, checks, money orders, and bank drafts not on deposit.

**Cash in Bank** - (From Schedule A) - Cash deposited in the district's checking account(s). The reserves, restrictions, or limitations as to its availability should be so stated. The total amount shown on Schedule A must reflect the reconciled balance as of the fiscal year end and reported under the account classification "Cash in Bank" on the Balance Sheet.

**Developer Advances** - Amounts owed to a developer for cash placed in the district's account or otherwise paid to the district. However, amounts payable to a developer for which repayment is contingent upon a bond sale (or some other event) should not be included as a liability of the district. Please see the Miscellaneous Disclosures, page 3 of this report, for disclosure of these contingent liabilities.

**Disbursements** - All transactions involving the disbursement of the district's fund should be included in the disbursements section. Payments made on behalf of the district by a third party should not be listed as a disbursement for the purpose of this statement. See the Miscellaneous Disclosures, page 3, of this report, for disclosures of these payments.

**Excess Assets Over Liabilities** - The difference between "Total Assets" and "Total Liabilities." If liabilities exceed assets, this number should be shown as a negative amount.

**General Fixed Assets** - A fixed asset is one which the cost exceeds $50 and has a productive life longer than one year. "Fixed" denotes the intent to continue use or possession; it does not indicate the immobility of the asset. An asset of cost not in excess of $50 should be considered consumable and accordingly recognized under the account classification "Supplies and Materials" on the Statement of Receipts and Disbursements. A fixed asset purchased through the issuance of a short-term note payable should be reported as an asset at its full cost even though no cash transaction may have taken place. Likewise, the corresponding note payable should be reported in the liability section of the Balance Sheet. Fixed assets donated to the district by a developer should be included as "General Fixed Assets" on the Balance Sheet. However, no amounts should be recorded on the Statement of Receipts and Disbursements for this type of transaction. The Credit offset to the fixed asset will be included in "Excess Assets over Liabilities" on the Balance Sheet.

**Investments (From Schedule B)** - List the types of investments (certificates of deposit, savings accounts, securities) which generate income in the form of interest. This should not include any amounts listed on Schedule A as "Cash in Bank." The total amount shown on Schedule B for "Principal Balance" must be reported under the account classification "Investments" on the Balance Sheet. At the option of the preparer, any interest earned on investments but not yet received may be reported as "Accrued Interest" on Schedule B and in the Asset section of the Balance Sheet. Under no circumstance should accrued interest be included in "Interest Received

on Investments" under "Receipts" on page 5. "Interest Received on Investments" should include only amounts actually received during the fiscal year.

**Inventories** - The cost of materials and other items purchased for use during the fiscal year by which are not completely consumed by the end of the fiscal year.

**Notes Payable** - The total outstanding principal of short-term loans, which mature within one year of their issuance.

**Other Liabilities** - Only liabilities arising from the receipt of cash which cannot be properly classified in one of the other liability accounts should be listed in this classification along with a brief explanation of this liability. Accounts payable, accrued interest, and contracts payable should not be listed as liabilities in this report.

**Receipts** - All transactions involving the receipt of cash during the fiscal year should be included in the Receipts section. Only those amounts actually received during the fiscal year should be included. Amounts received for which repayment is contingent upon a bond sale (or some other event) should be included here. (See "Developer Advances" above for treatment of the contingent liability.)

**Refundable Deposits** - This amount reflects a liability arising from the receipt of deposits from customers, which will be refunded to the customer at some future date, based on the terms and conditions of the deposit agreement.

**Rounding Instructions** - Please round to the nearest whole dollar amount. For example:

$467.50 should be rounded up to $468 and $3,678.49 should be rounded down to $3,678.

# ANNUAL FINANCIAL REPORT

*Of*

| | |
|---|---|
| **Legal Name of District or Authority:** | Conroe MMD 2 |
| For the Fiscal Year Ended: | 04/30/2025 |
| Preparer: | L & S District Services LLC |
| Title: | Bookkeeper |
| Date: | 6/5/25 |
| Telephone Number: (AC) | (281) 356-7542 |

| P.O. Box 80 | Tomball, Texas | 77377-0000 |
|---|---|---|
| **District's Mailing Address** | **City, State** | **Zip Code** |

# AUDIT REPORT EXEMPTION

Texas Water Code §49.198. AUDIT REPORT EXEMPTION (effective September 1, 2011)

**§49.198(a)** A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:

**§49.198(a)(1)** The district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;

**§49.198(a)(2)** The district did not have gross receipts from operations, loans, taxes, or contributions in excess of $250,000 during the fiscal period; and

**§49.198(a)(3)** The district's cash and temporary investments were not in excess of $250,000 during the fiscal period.

**§49.198(b)** The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.

**§49.198(c)** The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.

**§49.198(d)** Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

# FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Conroe MMD 2 as of

*(Name of District)*

04/30/2025 I also certify that the above district has complied in full

*(Date of Fiscal Year End)*

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

c/o Coats Rose, 16000 Dallas Pkwy, Suite 350, Dallas, Texas 75248

*(Address of District)*

Crystal McBride, Bookkeeper

*(Typed Name and Title)*

_____

*(Signature of Affiant)* *(Date)*

Subscribed and Sworn to before me by this 5 day of 6

_____ In and For Harris County, Texas

Sandra Yarborough December 15, 2027

*(Typed Name of Notary)* *(My Commission Expires On)*

District Name:

## MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION

as of the District's Fiscal Year-End

A. **Disclosures to comply with Rule 30 TAC 293.95(b)**

(1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities. ☐ Yes ☒ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☐ Yes ☒ No

These payments are estimated to cumulatively be:

| Cost | Amount |
|---|---|
| Organization Costs | |
| Construction Costs | |
| Administration Cost | |
| **Total Costs** | |

(2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report? ☐ Yes ☒ No

If yes, explain:

B. **Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j).** The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512-239-4691.

C. **Additional Information.**

This report should be sent to:

District Creation Review Team,
MC-152
Texas Commission on Environmental Quality
P.O. Box 13087 Austin, TX 78711-3087

Phone Number: 512-239-4691
Fax Number: 512-239-6190

# BALANCE SHEET – CASH BASIS

| Asset Type | | Amount |
|---|---|---|
| Cash on Hand | | |
| Cash in Bank (Schedule A) | | $ 25,077 |
| Investment (Schedule B) | | |
| Total Cash and Investments[i] | | $ 25,077 |
| Accrued Interest Receivable – Optional (Schedule B) | | |
| Inventory | | |
| General Fixed Assets | | |
| Other Assets | | |
| (Explain): | | |
| | **Total Assets:**[ii] | $ 25,077 |

| **LIABILITIES AND EXCESS** | | Amount |
|---|---|---|
| Notes Payable | | |
| Refundable Deposits | | |
| Developer Advances | | $ 17,000 |
| Other Liabilities | | $ 35,000 |
| (Explain): | maintenance taxes | |
| Total Liabilities | | $ 52,000 |
| Excess Assets Over Liabilities | | $ 25,077 |
| Total Liabilities and Excess[iii] | | $ 77,077 |

**Note to Preparer:**

---

[i] "Total Cash and Investments" must equal "Cash and Investments – End of Year "on the Statement of Receipts and Disbursement", page 5.
[ii] Must equal "Total Liabilities and Excess"
[iii] Must equal "Total Assets"

# STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

| Receipts | Amount |
|---|---|
| Service Revenues | |
| Tax Receipts | $ 35,000 |
| Penalty and Interest Received | |
| Interest Received on Investments | |
| Loans or Advances | $ 17,000 |
| All Other Receipts | |
| (Explain): | |
| **Total Receipts** | $ 52,000 |

| Less Disbursements | Amount |
|---|---|
| Purchased Services for Resale | |
| Payroll | |
| Legal, Accounting, or Contract Service | $ 27,101 |
| Supplies and Materials | |
| Maintenance | |
| Note Payments and Repayment of Advances | |
| All other Disbursements (Schedule C) | $ 1,013 |
| Total Disbursements | $ 28,114 |
| Excess of Receipts Over (under) Disbursements | $ 23,886 |
| Cash and Investments - Beginning of Year | $ 23,958 |
| Cash and Investment - End of Year (see Note 1 Page 4) | $ 25,077 |

**Note to Preparer:** In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials." Please refer to Explanation of Terms, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

# SCHEDULE A 1 – CASH IN BANK[i]

| Name of Bank | Account Number | Purpose of Account | Balance |
|---|---|---|---|
| Central Bank | 6,001,564 | GOF-Checking | $ 25,077 |
| | | | |
| | | | |
| | | TOTAL | $ 25,077 |

# SCHEDULE B – INVESTMENTS[ii]

| Type of Investment | Name of Bank | Certificate Number | Interest Rate | Maturity Date | Principal Balance | (Optional) Accrued Interest |
|---|---|---|---|---|---|---|
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | | TOTALS | | |

# SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS[iii]

| Description of Disbursements[iv] | Amount |
|---|---|
| Travel Expenses | $ 1,013 |
| | |
| | |
| | |
| | |
| | |
| TOTAL | $ 1,013 |

[i] Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
[ii] Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of "Principal Balance" and "Accrued Interest."
[iii] Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of "All Other Disbursements."
[iv] A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

# EXPLANATION OF TERMS

**All Other Disbursements** - This classification should be used only for payments, which cannot be classified properly in the six remaining accounts listed on the Statement of Receipts and Disbursements. Schedule C, page 6, should be completed for any report, which utilizes the "All Other Disbursements" classification.

**Cash Basis** - The financial statements contained in this report are to be prepared on the cash basis of accounting. They are not intended to be in conformity with Generally Accepted Accounting Principles (GAAP). Only transactions involving the exchange of cash should be included in these statements. No liabilities should be recorded unless they arise from the transfer of money. Exceptions to this rule are listed in "Investments" and "General Fixed Assets" below. Receipts and disbursements should not be recorded until payment is made. For the purpose of the Statement of Receipts and Disbursements, movement of funds between checking accounts and investments should not be considered as receipts or disbursements.

**Cash on Hand** - Petty cash, checks, money orders, and bank drafts not on deposit.

**Cash in Bank** - (From Schedule A) - Cash deposited in the district's checking account(s). The reserves, restrictions, or limitations as to its availability should be so stated. The total amount shown on Schedule A must reflect the reconciled balance as of the fiscal year end and reported under the account classification "Cash in Bank" on the Balance Sheet.

**Developer Advances** - Amounts owed to a developer for cash placed in the district's account or otherwise paid to the district. However, amounts payable to a developer for which repayment is contingent upon a bond sale (or some other event) should not be included as a liability of the district. Please see the Miscellaneous Disclosures, page 3 of this report, for disclosure of these contingent liabilities.

**Disbursements** - All transactions involving the disbursement of the district's fund should be included in the disbursements section. Payments made on behalf of the district by a third party should not be listed as a disbursement for the purpose of this statement. See the Miscellaneous Disclosures, page 3, of this report, for disclosures of these payments.

**Excess Assets Over Liabilities** - The difference between "Total Assets" and "Total Liabilities." If liabilities exceed assets, this number should be shown as a negative amount.

**General Fixed Assets** - A fixed asset is one which the cost exceeds $50 and has a productive life longer than one year. "Fixed" denotes the intent to continue use or possession; it does not indicate the immobility of the asset. An asset of cost not in excess of $50 should be considered consumable and accordingly recognized under the account classification "Supplies and Materials" on the Statement of Receipts and Disbursements. A fixed asset purchased through the issuance of a short-term note payable should be reported as an asset at its full cost even though no cash transaction may have taken place. Likewise, the corresponding note payable should be reported in the liability section of the Balance Sheet. Fixed assets donated to the district by a developer should be included as "General Fixed Assets" on the Balance Sheet. However, no amounts should be recorded on the Statement of Receipts and Disbursements for this type of transaction. The Credit offset to the fixed asset will be included in "Excess Assets over Liabilities" on the Balance Sheet.

**Investments (From Schedule B)** - List the types of investments (certificates of deposit, savings accounts, securities) which generate income in the form of interest. This should not include any amounts listed on Schedule A as "Cash in Bank." The total amount shown on Schedule B for "Principal Balance" must be reported under the account classification "Investments" on the Balance Sheet. At the option of the preparer, any interest earned on investments but not yet received may be reported as "Accrued Interest" on Schedule B and in the Asset section of the Balance Sheet. Under no circumstance should accrued interest be included in "Interest Received

on Investments" under "Receipts" on page 5. "Interest Received on Investments" should include only amounts actually received during the fiscal year.

**Inventories** - The cost of materials and other items purchased for use during the fiscal year by which are not completely consumed by the end of the fiscal year.

**Notes Payable** - The total outstanding principal of short-term loans, which mature within one year of their issuance.

**Other Liabilities** - Only liabilities arising from the receipt of cash which cannot be properly classified in one of the other liability accounts should be listed in this classification along with a brief explanation of this liability. Accounts payable, accrued interest, and contracts payable should not be listed as liabilities in this report.

**Receipts** - All transactions involving the receipt of cash during the fiscal year should be included in the Receipts section. Only those amounts actually received during the fiscal year should be included. Amounts received for which repayment is contingent upon a bond sale (or some other event) should be included here. (See "Developer Advances" above for treatment of the contingent liability.)

**Refundable Deposits** - This amount reflects a liability arising from the receipt of deposits from customers, which will be refunded to the customer at some future date, based on the terms and conditions of the deposit agreement.

**Rounding Instructions** - Please round to the nearest whole dollar amount. For example:

$467.50 should be rounded up to $468 and $3,678.49 should be rounded down to $3,678.

# ANNUAL FINANCIAL REPORT

*Of*

| | |
|---|---|
| **Legal Name of District or Authority:** | Conroe MMD 2 |
| For the Fiscal Year Ended: | 04/30/2024 |
| Preparer: | L & S District Services LLC |
| Title: | Bookkeeper |
| Date: | 5/28/24 |
| Telephone Number: (AC) | (281) 356-7542 |

| P.O. Box 80 | Tomball, Texas | 77377-0000 |
|---|---|---|
| **District's Mailing Address** | **City, State** | **Zip Code** |

# AUDIT REPORT EXEMPTION

Texas Water Code §49.198. AUDIT REPORT EXEMPTION (effective September 1, 2011)

**§49.198(a)** A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:

**§49.198(a)(1)** The district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;

**§49.198(a)(2)** The district did not have gross receipts from operations, loans, taxes, or contributions in excess of $250,000 during the fiscal period; and

**§49.198(a)(3)** The district's cash and temporary investments were not in excess of $250,000 during the fiscal period.

**§49.198(b)** The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.

**§49.198(c)** The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.

**§49.198(d)** Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

# FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Conroe MMD 2 as of

*(Name of District)*

04/30/2024 I also certify that the above district has complied in full

*(Date of Fiscal Year End)*

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

c/o Coats Rose, 16000 Dallas Pkwy, Suite 350, Dallas, Texas 75248

*(Address of District)*

Crystal McBride, Bookkeeper

*(Typed Name and Title)*

*(Signature of Affiant)* *(Date)*

Subscribed and Sworn to before me by this 28 day of 5

In and For Harris County, Texas

Sandra Yarborough December 15, 2027

*(Typed Name of Notary)* *(My Commission Expires On)*

District Name:

## MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION

as of the District's Fiscal Year-End

A. **Disclosures to comply with Rule 30 TAC 293.95(b)**

(1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities. ☐ Yes ☒ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☐ Yes ☒ No

These payments are estimated to cumulatively be:

| Cost | Amount |
|---|---|
| Organization Costs | |
| Construction Costs | |
| Administration Cost | |
| **Total Costs** | |

(2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report? ☐ Yes ☒ No

If yes, explain:

B. **Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j).** The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512-239-4691.

C. **Additional Information.**

This report should be sent to:

District Creation Review Team,
MC-152
Texas Commission on Environmental Quality
P.O. Box 13087 Austin, TX 78711-3087

Phone Number: 512-239-4691
Fax Number: 512-239-6190

# BALANCE SHEET – CASH BASIS

| Asset Type | Amount |
|---|---|
| Cash on Hand | |
| Cash in Bank (Schedule A) | $ 5,209 |
| Investment (Schedule B) | |
| Total Cash and Investments[i] | $ 5,209 |
| Accrued Interest Receivable - Optional (Schedule B) | |
| Inventory | |
| General Fixed Assets | |
| Other Assets | |
| (Explain): | |
| **Total Assets:**[ii] | $ 5,209 |

| LIABILITIES AND EXCESS | Amount |
|---|---|
| Notes Payable | |
| Refundable Deposits | |
| Developer Advances | $ 13,000 |
| Other Liabilities | |
| (Explain): | |
| Total Liabilities | |
| Excess Assets Over Liabilities | $ 5,209 |
| Total Liabilities and Excess[iii] | $ 18,209 |

**Note to Preparer:**

---

[i] "Total Cash and Investments" must equal "Cash and Investments – End of Year "on the Statement of Receipts and Disbursement", page 5.
[ii] Must equal "Total Liabilities and Excess"
[iii] Must equal "Total Assets"

# STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

| Receipts | Amount |
|---|---|
| Service Revenues | |
| Tax Receipts | |
| Penalty and Interest Received | |
| Interest Received on Investments | |
| Loans or Advances | $ 13,000 |
| All Other Receipts | |
| (Explain): | |
| **Total Receipts** | $ 13,000 |

| Less Disbursements | Amount |
|---|---|
| Purchased Services for Resale | |
| Payroll | |
| Legal, Accounting, or Contract Service | $ 14,528 |
| Supplies and Materials | |
| Maintenance | |
| Note Payments and Repayment of Advances | |
| All other Disbursements (Schedule C) | $ 736 |
| Total Disbursements | $ 15,264 |
| Excess of Receipts Over (under) Disbursements | ($ 2,264) |
| Cash and Investments - Beginning of Year | $ 2,337 |
| Cash and Investment - End of Year (see Note 1 Page 4) | $ 5,209 |

**Note to Preparer:** In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials." Please refer to Explanation of Terms, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

# SCHEDULE A 1 – CASH IN BANK[i]

| Name of Bank | Account Number | Purpose of Account | Balance |
|---|---|---|---|
| Central Bank | 6,001,564 | GOF-Checking | $ 5,209 |
| | | | |
| | | | |
| | | TOTAL | $ 5,209 |

# SCHEDULE B – INVESTMENTS[ii]

| Type of Investment | Name of Bank | Certificate Number | Interest Rate | Maturity Date | Principal Balance | (Optional) Accrued Interest |
|---|---|---|---|---|---|---|
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | 0.00% | | | |
| | | | | TOTALS | | |

# SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS[iii]

| Description of Disbursements[iv] | Amount |
|---|---|
| Misc Other Expense | $ 35 |
| Travel Expenses | $ 701 |
| | |
| | |
| | |
| | |
| TOTAL | $ 736 |

[i] Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
[ii] Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of "Principal Balance" and "Accrued Interest."
[iii] Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of "All Other Disbursements."
[iv] A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

# EXPLANATION OF TERMS

**All Other Disbursements** - This classification should be used only for payments, which cannot be classified properly in the six remaining accounts listed on the Statement of Receipts and Disbursements. Schedule C, page 6, should be completed for any report, which utilizes the "All Other Disbursements" classification.

**Cash Basis** - The financial statements contained in this report are to be prepared on the cash basis of accounting. They are not intended to be in conformity with Generally Accepted Accounting Principles (GAAP). Only transactions involving the exchange of cash should be included in these statements. No liabilities should be recorded unless they arise from the transfer of money. Exceptions to this rule are listed in "Investments" and "General Fixed Assets" below. Receipts and disbursements should not be recorded until payment is made. For the purpose of the Statement of Receipts and Disbursements, movement of funds between checking accounts and investments should not be considered as receipts or disbursements.

**Cash on Hand** - Petty cash, checks, money orders, and bank drafts not on deposit.

**Cash in Bank** - (From Schedule A) - Cash deposited in the district's checking account(s). The reserves, restrictions, or limitations as to its availability should be so stated. The total amount shown on Schedule A must reflect the reconciled balance as of the fiscal year end and reported under the account classification "Cash in Bank" on the Balance Sheet.

**Developer Advances** - Amounts owed to a developer for cash placed in the district's account or otherwise paid to the district. However, amounts payable to a developer for which repayment is contingent upon a bond sale (or some other event) should not be included as a liability of the district. Please see the Miscellaneous Disclosures, page 3 of this report, for disclosure of these contingent liabilities.

**Disbursements** - All transactions involving the disbursement of the district's fund should be included in the disbursements section. Payments made on behalf of the district by a third party should not be listed as a disbursement for the purpose of this statement. See the Miscellaneous Disclosures, page 3, of this report, for disclosures of these payments.

**Excess Assets Over Liabilities** - The difference between "Total Assets" and "Total Liabilities." If liabilities exceed assets, this number should be shown as a negative amount.

**General Fixed Assets** - A fixed asset is one which the cost exceeds $50 and has a productive life longer than one year. "Fixed" denotes the intent to continue use or possession; it does not indicate the immobility of the asset. An asset of cost not in excess of $50 should be considered consumable and accordingly recognized under the account classification "Supplies and Materials" on the Statement of Receipts and Disbursements. A fixed asset purchased through the issuance of a short-term note payable should be reported as an asset at its full cost even though no cash transaction may have taken place. Likewise, the corresponding note payable should be reported in the liability section of the Balance Sheet. Fixed assets donated to the district by a developer should be included as "General Fixed Assets" on the Balance Sheet. However, no amounts should be recorded on the Statement of Receipts and Disbursements for this type of transaction. The Credit offset to the fixed asset will be included in "Excess Assets over Liabilities" on the Balance Sheet.

**Investments (From Schedule B)** - List the types of investments (certificates of deposit, savings accounts, securities) which generate income in the form of interest. This should not include any amounts listed on Schedule A as "Cash in Bank." The total amount shown on Schedule B for "Principal Balance" must be reported under the account classification "Investments" on the Balance Sheet. At the option of the preparer, any interest earned on investments but not yet received may be reported as "Accrued Interest" on Schedule B and in the Asset section of the Balance Sheet. Under no circumstance should accrued interest be included in "Interest Received

on Investments" under "Receipts" on page 5. "Interest Received on Investments" should include only amounts actually received during the fiscal year.

**Inventories** - The cost of materials and other items purchased for use during the fiscal year by which are not completely consumed by the end of the fiscal year.

**Notes Payable** - The total outstanding principal of short-term loans, which mature within one year of their issuance.

**Other Liabilities** - Only liabilities arising from the receipt of cash which cannot be properly classified in one of the other liability accounts should be listed in this classification along with a brief explanation of this liability. Accounts payable, accrued interest, and contracts payable should not be listed as liabilities in this report.

**Receipts** - All transactions involving the receipt of cash during the fiscal year should be included in the Receipts section. Only those amounts actually received during the fiscal year should be included. Amounts received for which repayment is contingent upon a bond sale (or some other event) should be included here. (See "Developer Advances" above for treatment of the contingent liability.)

**Refundable Deposits** - This amount reflects a liability arising from the receipt of deposits from customers, which will be refunded to the customer at some future date, based on the terms and conditions of the deposit agreement.

**Rounding Instructions** - Please round to the nearest whole dollar amount. For example:

$467.50 should be rounded up to $468 and $3,678.49 should be rounded down to $3,678.