

OFFICIAL STATEMENT DATED MAY 21, 2026

In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (defined herein) after the date of initial delivery of the Bonds described below (the “Bonds”) with certain covenants contained in the Bond Order (defined below) authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), and (2) will not be an item of tax preference for purposes of the alternative minimum tax; however, such interest may be taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See “TAX MATTERS” herein.

THE BONDS HAVE NOT BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS

NEW ISSUE – BOOK-ENTRY-ONLY

Rating: S&P: “AA”/BAM Insured
See “SALE AND DISTRIBUTION OF
THE BONDS – Municipal Bond Rating”
and “MUNICIPAL BOND INSURANCE”

\$7,500,000

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2

(A political subdivision of the State of Texas located within Hood, Johnson and Parker Counties)

DEFINED AREA #2 UNLIMITED TAX ROAD BONDS, SERIES 2026

Dated: June 1, 2026

Due: September 15, as shown below

The \$7,500,000 Defined Area #2 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”) are obligations solely of Cresson Crossroads Municipal Utility District No. 2 (the “District”) and are not obligations of the State of Texas; Hood County, Texas; Johnson County, Texas; Parker County, Texas; the City of Cresson, Texas; or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property solely within Defined Area #2 of the District. INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN INCLUDING A HIGH CONCENTRATION OF OWNERSHIP OF TAXABLE PROPERTY. See “RISK FACTORS.”

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially, UMB Bank, N.A., in Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds accrues from June 1, 2026 (the “Dated Date”) and will be payable on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds is payable on each September 15 and March 15, commencing March 15, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in principal denominations of \$5,000 or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

CUSIP Prefix: 226022 (a)

Maturity Amount	Maturity (September 15)	Interest Rate	Initial Yield (c)	CUSIP Suffix(a)	Maturity Amount	Maturity (September 15)	Interest Rate	Initial Yield (c)	CUSIP Suffix(a)
\$ 110,000	2028	7.125%	3.200%	CK5	\$ 225,000	2042	4.250% (b)	4.340%	CZ2
115,000	2029	7.125%	3.200%	CL3	230,000	2043	4.250% (b)	4.410%	DA6
120,000	2030	7.125%	3.300%	CM1	245,000	2044	4.375% (b)	4.480%	DB4
125,000	2031	7.125%	3.400%	CN9	260,000	2045	4.375% (b)	4.550%	DC2
135,000	2032	7.125%	3.500%	CP4	275,000	2046	4.500% (b)	4.620%	DD0
140,000	2033	7.125%	3.550%	CQ2	285,000	2047	4.500% (b)	4.670%	DE8
145,000	2034	7.125% (b)	3.600%	CR0	305,000	2048	4.625% (b)	4.700%	DF5
155,000	2035	6.000% (b)	3.650%	CS8	315,000	2049	4.625% (b)	4.730%	DG3
165,000	2036	5.000% (b)	3.750%	CT6	335,000	2050	4.625% (b)	4.760%	DH1
170,000	2037	4.125% (b)	4.000%	CU3	350,000	2051	4.625% (b)	4.780%	DJ7
180,000	2038	4.125% (b)	4.125%	CV1	375,000	2052	4.625% (b)	4.800%	DK4
190,000	2039	4.125% (b)	4.150%	CW9	395,000	2053	4.750% (b)	4.824%	DL2
205,000	2040	4.125% (b)	4.200%	CX7	410,000	2054	4.750% (b)	4.831%	DM0
215,000	2041	4.125% (b)	4.270%	CY5	645,000	2055	4.750% (b)	4.838%	DN8
					680,000	2056	4.750% (b)	4.845%	DP3

- (a) 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 purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (b) Bonds maturing on and after September 15, 2034 are subject to redemption at the option of the District prior to their maturity dates in whole or from time to time in part, on September 15, 2033, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (c) 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 optional redemption date. Accrued interest is to be added to the price.

The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"). See "BOND INSURANCE" herein.



The Bonds are offered by the winning bidder for the Bonds (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel to the District. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about June 18, 2026.

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DISTRICT LOCATION MAP (INCLUDING DEFINED AREA #2)

PHOTOGRAPHS OF DEFINED AREA #2 OF THE DISTRICT

APPENDIX A – Annual Financial Report of the District for the year ended
June 30, 2025

APPENDIX B – General Fund and Operating Budget of the District for
the year ending June 30, 2026

APPENDIX C – Form of Bond Counsel’s opinion

APPENDIX D – Specimen Municipal Bond Insurance Policy

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, 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 Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350 Dallas, TX 75248.

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

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 final official statement for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Dallas, Texas (the "Initial Purchaser") paying the interest rates shown on the cover page hereof, at a price of 97.011114% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.833681%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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 of the Bonds 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 responsibility of the Initial Purchaser.

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.

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

Securities Laws

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

Municipal Bond Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the marketability of the Bonds.

Municipal Bond Insurance

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

(Continues on following page)

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT AND DEFINED AREA #2

Description...

The Cresson Crossroads Municipal Utility District No. 2 (the “District”) was created by the acts of the 85th Texas Legislature in 2017 (Senate Bill No. 905) codified as Chapter 7968, Texas Special District Local Laws Code. The District has the powers and duties provided by the general laws of the State of Texas, including Chapters 49 and 54, Water Code, applicable to municipal utility districts created under Section 59, Article XVI, Texas Constitution. Under Section 52, Article III, Texas Constitution, the District may design, acquire, construct, finance issue bonds for, improve, operate, maintain, and convey to this state, a county, or a municipality for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads. The District encompasses approximately 3,234.940 acres and is partially within the corporate limits of the City of Cresson, Texas (the “City”), partially within the extraterritorial jurisdiction of the City, and partially outside of the City’s limits and extraterritorial jurisdiction within the counties of Hood, Johnson and Parker. At the time of creation, the District contained approximately 564.056 acres. On November 18, 2021, the District annexed an additional approximate 374.612 acres, bringing the total District area to approximately 939.396 acres. On January 18, 2023, the District annexed an additional approximate 1,081.034 acres, bringing the total District area to approximately 2,020.430 acres. On December 20, 2023, the District annexed an additional approximate 1,155.69 acres, bringing the total District area to approximately 3,176.120 acres. On September 19, 2024, the District annexed an additional approximate 58.82 acres, bringing the total District area to approximately 3,234.940 acres.

District Location...

The District’s lands are generally located north, south and southeast of the City, approximately 26 miles from downtown Fort Worth, Texas; 13 miles from Granbury, Texas; 20 miles from Cleburne, Texas; and 21 miles from Weatherford, Texas. Access to the District is generally from U.S. Highway 377 and State Highway 171. The District is located within the Granbury Independent School District and the Godley Independent School District.

Defined Area #2...

Defined Area #2 was created pursuant to an order, as amended, approved by the District’s Board of Directors on February 13, 2023. Defined Area #2, located in the southeastern section of the District, encompasses approximately 374.612 acres of land within the District outside of the City limits in Johnson County. Access to Defined Area #2 is generally from State Highway 171 and County Road 1000. Defined Area #2 is located in the Granbury Independent School District.

The Defined Area #2 Developer...

Cresson Ventures LLC (the “Developer”) is the only developer of land within Defined Area #2. Cresson Ventures LLC is managed by C. Ryan Voorhees. As of Tax Year 2025, the Developer was responsible for 9.95% of the property taxes levied within Defined Area #2. Mr. Voorhees, with experience in the construction and development business, has developed over 4,000 single family residential lots and numerous apartment units through various entities over the last 35 years in the Dallas-Fort Worth Metroplex, New Mexico and Northern California. The Developer is currently developing Defined Area #2 as Cresson Estates. See “THE DEFINED AREA #2 DEVELOPER AND HOMEBUILDERS.” An affiliate of the Developer, Kelly Ranch Estates LLC, has developed and is currently developing land within Defined Area #3 of the District (the Kelly Ranch Project, planned to contain 2,695 single-family lots, townhomes, commercial areas, a golf course, recreational facilities and a school site). See “THE DEFINED AREAS.”

Defined Area #2 Status of Development...

Cresson Estates is a single-family residential community currently planned to contain 1,296 lots, a 30-acre multi-family site, and a 7.8-acre recreational area. Detention ponds, flood plain area and other undevelopable acreage comprise the remainder of Defined Area #2. Phase 1 of Cresson Estates has been fully developed into 308 single-family residential lots on approximately 97.116 acres. The Developer currently owns 60 finished lots within Phase 1 of Cresson Estates in Defined Area #2, of which 45 lots currently have homes under construction. Gold Creek Homes &

Development, LLC (“Gold Creek Homes”), an affiliate of the Developer, is the homebuilder. D.R. Horton, LGI Homes and Gold Creek Homes (the “Homebuilders”) are currently the only active homebuilders within Cresson Estates in Defined Area #2. D.R Horton and LGI Homes have taken down 248 lots within Phase 1 of Cresson Estates in Defined Area #2 as of April 2026. As of April 2026, there were 90 homes under construction and 138 completed homes, including 2 models. Paving has commenced in Phase 2A of Cresson Estates, which is expected to contain an additional 242 single-family residential lots expected to be delivered by June 2026. Gold Creek Homes is expected to be the sole homebuilder within Phase 2A of Cresson Estates in Defined Area #2.

At this time, amenities consisting of a pool and a clubhouse have been completed in Cresson Estates Defined Area #2. No land within Defined Area #2 has been, or is expected to be, dedicated by the Developer to the Granbury Independent School District.

See “THE DISTRICT—Land Use” and “—Defined Area #2 Status of Development.”

Homebuilders...

As of April 2026, 248 lots within Defined Area #2 have been sold to D.R. Horton and LGI Homes. There were 138 completed homes, including, 2 model homes. 90 homes were under construction in various stages. As of April 2026, there were 136 homeowners within Defined Area #2. Homes being sold and constructed in Defined Area #2 are being offered from \$279,900 to \$341,990. The square footage of the homes built and being constructed within Defined Area #2 range from 1,318 to 2,367 square feet according to the Homebuilders. 15 finished but vacant lots are currently owned by the Developer.

The contracts for sale of lots between the Developer and homebuilders require that earnest money be deposited with a title company and establish certain required purchases on a fixed schedule. The Developer’s sole remedy for homebuilders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of earnest money.

THE BONDS

Description...

\$7,500,000 Defined Area #2 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”) are being issued as fully registered bonds pursuant to an order (the “Bond Order”) authorizing the issuance of the Bonds adopted on May 21, 2026 by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The Bonds will be issued in book-entry form only in principal denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2026 and is payable on March 15, 2027, and on each September 15 and March 15 thereafter until the earlier of maturity or redemption. See “THE BONDS” and “BOOK-ENTRY-ONLY SYSTEM.”

Redemption...

Bonds maturing on and after September 15, 2034 are subject to redemption in whole or from time to time in part, at the option of the District, prior to their maturity dates on September 15, 2033 and on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

Use of Proceeds...

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the construction of road improvements within Defined Area #2. Bond proceeds will also be used to fund capitalized interest through September 15, 2027 and to pay certain costs related to the issuance of the Bonds. See “THE BONDS” and “ESTIMATED USE AND DISTRIBUTION OF BOND PROCEEDS.”

Authority for Issuance...

The Bonds are issued pursuant to the Bond Order adopted on May 21, 2026 by the Board; Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas; an election held within the boundaries of Defined Area #2 held on May 6 , 2023 and Chapter 7968, Texas Special District Local Laws Code. See “THE BONDS—Authority for Issuance.” At elections held within Defined Area #2 on May 6, 2023, voters authorized a total of \$92,115,000 of unlimited tax bonds, consisting of \$25,160,000 for road purposes (the “Road Bonds”) and \$66,955,000 for water, sewer, and drainage purposes (the “Utility Bonds”). After the issuance of the Bonds, the District will have \$14,420,000 in Road Bonds and \$66,955,000 in Utility Bonds authorized but unissued. Voters within Defined Area #2 have also authorized \$31,450,000 in bonds for the purpose of refunding Road Bonds (the “Road Refunding Bonds”) and \$83,693,750 in bonds for the purpose of refunding Utility Bonds (the “Utility Refunding Bonds”).

<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property solely within Defined Area #2 of the District. Proceeds of ad valorem taxes levied against taxable property within the District but outside of the boundaries of Defined Area #2 do not secure the Bonds. The Bonds are obligations of the District and are not obligations of the City of Cresson, Texas; Hood County, Texas; Johnson County, Texas; Parker County, Texas; the State of Texas or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
<i>Outstanding Bonds...</i>	The District has \$3,240,000 unlimited tax road bonds outstanding (the “Outstanding Bonds”). The Bonds are the District’s second series of unlimited tax road bonds. The District has not issued unlimited tax utility bonds secured by proceeds of ad valorem taxes levied against all taxable property within the District or solely within Defined Area #2.
<i>Payment Record...</i>	The District has never defaulted in the payment of debt service on its outstanding bonds.
<i>Not Qualified Tax-Exempt Obligations...</i>	The District has not designated the Bonds as “qualified tax-exempt obligations.”
<i>Municipal Bond Rating</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), has assigned its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the marketability of the Bonds.
<i>Municipal Bond Insurance</i>	The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”). See “BOND INSURANCE” herein.
<i>District Manager...</i>	Mr. Harold Sandel. See “MANAGEMENT OF THE DISTRICT.”
<i>General Counsel...</i>	Coats Rose, P.C., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Bond Counsel...</i>	Coats Rose, P.C., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton, L.L.P., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Municipal Advisor...</i>	Hilltop Securities Inc., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT” and “PREPARATION OF OFFICIAL STATEMENT – Municipal Advisor.”
<i>Engineer...</i>	Kimley-Horn, Frisco, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Paying Agent/Registrar...</i>	UMB Bank, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

Defined Area #2 2025 Certified Net Taxable Assessed Valuation	\$ 43,963,671 ⁽¹⁾
Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	\$ 64,481,110 ⁽²⁾
Direct Debt:	
Defined Area #2 Share of Outstanding District Bonds	\$ -
Defined Area #2 Outstanding Bonds	3,240,000
The Bonds	7,500,000
Total Direct Debt	<u>\$ 10,740,000</u>
Estimated Overlapping Debt	\$ 298,250 ⁽³⁾
Total Direct Debt and Estimated Overlapping Debt	\$ 11,038,250
Ratio of Direct Debt to:	
Defined Area #2 2025 Certified Net Taxable Assessed Valuation	24.43%
Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	16.66%
Ratio of Direct Debt and Estimated Overlapping Debt to:	
Defined Area #2 2025 Certified Net Taxable Assessed Valuation	25.11%
Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	17.12%
Average Annual Debt Service Requirement (2027-2056)	\$ 685,378
Maximum Annual Debt Service Requirement (2056)	\$ 712,300
Tax Rate Required to Pay Average Annual Debt Service (2027-2056) at a 95% Collection Rate	
Based upon the Defined Area #2 2025 Certified Net Taxable Assessed Valuation	\$ 1.6410
Based upon the Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	\$ 1.1189
Tax Rate Required to Pay Maximum Annual Debt Service (2056) at a 95% Collection Rate	
Based upon the Defined Area #2 2025 Certified Net Taxable Assessed Valuation	\$ 1.7055
Based upon the Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	\$ 1.1628
District General Fund Balance as of 4/16/2026	\$ 1,518,567 ⁽⁴⁾
District Capital Projects Fund Balance as of 4/16/2026	\$ -
District Road Debt Service Fund Balance as of 4/16/2026	\$ -
District Utility Debt Service Fund Balance as of 4/16/2026	\$ -
Defined Area #2 Capital Projects Fund Balance as of 4/16/2026	\$ 31,443
Defined Area #2 Road Debt Service Fund Balance as of 4/16/2026	\$ 89,857 ⁽⁵⁾
Defined Area #2 Utility Debt Service Fund Balance as of 4/16/2026	\$ -
2025 District Tax Rates (per \$100 Assessed Valuation)	⁽⁶⁾
District Maintenance and Operations	\$ 1.0000
District Road Debt Service	-
District Utility Debt Service	-
Defined Area #2 Road Debt Service	-
Defined Area #2 Utility Debt Service	-
Total Tax Rate	<u>\$ 1.0000</u>
Status of Lot and Home Construction within Defined Area #2 as of May 1, 2026 ⁽⁷⁾	
Lots Under Construction	242
Vacant Finished Lots	80
Single Family Homes Completed (including 2 model homes)	138
Single Family Homes Under Construction	90

(1) As provided by the Central Appraisal District of Johnson County. See "TAXING PROCEDURES."

(2) As provided by the Central Appraisal District of Johnson County. Taxes will not be levied on this amount. For illustration purposes only.

(3) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) - Estimated Overlapping Debt and Taxes."

(4) See "RISK FACTORS - Operating Funds."

(5) Any funds in the Road Bond Debt Service Fund (defined herein) are pledged only to pay the debt service on the Bonds and any additional Defined Area #2 Road Bonds. Neither Texas law nor the Bond Order require the District to maintain any minimum balance in the Road Bond Debt Service Fund. Upon delivery of the Bonds, the District will deposit the accrued interest from the Dated Date to the Delivery Date and capitalized interest through September 15, 2027 in the Road Bond Debt Service Fund.

(6) See "TAX DATA." The District adopted a \$1.0000 tax rate for Tax Year 2025.

Taxes deposited to the Road Bond Debt Service Fund can only be used to pay debt service on Defined Area #2 obligations that are issued for road purposes, including the Bonds and future Defined Area #2 road bonds. Proceeds from ad valorem taxes levied and collected for purposes other than Defined Area #2 road bond debt service are not pledged to pay debt service on the Bonds. The District is prohibited from levying a road debt service tax on other taxable property within the District that is not within Defined Area #2 to pay for the Bonds.

(7) As reported by the Developer and District Operator.

OFFICIAL STATEMENT

\$7,500,000

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2

(A political subdivision of the State of Texas located within Hood, Johnson and Parker Counties)

DEFINED AREA #2 UNLIMITED TAX ROAD BONDS SERIES 2026

This Official Statement provides certain information in connection with the issuance by Cresson Crossroads Municipal Utility District No. 2 (the “District”) of its \$7,500,000 Defined Area #2 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”).

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 7968 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Bonds (the “Bond Order”), adopted on the date of the sale of the Bonds by the Board of Directors of the District (the “Board”); and an election held within Defined Area #2 on May 6, 2023.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350 Dallas, TX 75248.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the City of Cresson, Texas; Hood County, Texas; Johnson County, Texas; Parker County, Texas; the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within Defined Area #2 of the District in an amount sufficient to service the District’s Defined Area #2 bonded debt or in the event of foreclosure, on the value of the taxable property in Defined Area #2 of the District and the taxes levied by the District within Defined Area #2 and other taxing authorities upon the property within Defined Area #2 of the District. See “THE BONDS—Source and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within Defined Area #2 of the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

Economic Factors and Interest Rates

A substantial percentage of the taxable value within Defined Area #2 of the District results from the current market value of (i) developed vacant lots owned by the Developer or the Homebuilders on which the Homebuilders intend to construct additional primary residences in the near future, and (ii) developed lots on which the Homebuilders are currently constructing additional homes. The market value of such developed lots and homes is related to general economic conditions affecting the demand for single family residential lots and homes. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values within Defined Area #2 of the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within Defined Area #2 of the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within Defined Area #2 of the District. In addition, since the District is located in the Dallas-Fort Worth-Denton metropolitan area, the success of development within the District and growth of District's taxable property values are, to a great extent, a function of the Dallas-Fort Worth-Denton metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the Dallas-Fort Worth-Denton metropolitan area and the nation could adversely affect home-building plans within Defined Area #2 of the District and restrain the growth of or reduce the value of Defined Area #2's property tax base.

Competition

The demand for and construction of single-family homes within Defined Area #2 of the District could be affected by competition from other residential developments including other residential developments located in the vicinity of the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to employment centers in the Dallas-Fort Worth-Denton metropolitan area. Such homes could represent additional competition for new homes proposed to be sold within Defined Area #2 of the District.

The competitive position of the Developer in the sale of developed lots and of the Homebuilders in the construction of single-family residential houses within Defined Area #2 of the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values within Defined Area #2 of the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs within Defined Area #2 of the District by the Developer or homebuilders will be implemented or, if implemented, will be successful.

Development and Home Construction in the District

As of April 2026, there were 308 developed lots within Defined Area #2 of the District served by water, sewer, drainage and road facilities ("Cresson Estates Phase 1"). An additional 987 lots are planned in future phases, along with a 30-acre multi-family site. At this time, amenities consisting of a pool and a clubhouse have been completed in Cresson Estates. Paving has commenced in Phase 2A of Cresson Estates, which is expected to contain an additional 242 single-family residential lots. Delivery of Phase 2A of Cresson Estates is expected to occur in June 2026. The Developer currently owns 60 finished lots within Phase 1 of Cresson Estates in Defined Area #2, of which 45 lots currently have homes under construction by Gold Creek Homes, an affiliate of the Developer. D.R. Horton, LGI Homes and Gold Creek Homes are currently the only active homebuilders within Cresson Estates in Defined Area #2. D.R Horton and LGI Homes have taken down 248 lots within Phase 1 of Cresson Estates in Defined Area #2 as of April 2026 and have 45 homes under construction. As of April 2026, there were a total of 90 homes under construction and 138 completed homes, including 2 models. Paving has commenced in Phase 2A of Cresson Estates, which is expected to contain an additional 242 single-family residential lots expected to be delivered by June 2026. Gold Creek Homes is expected to be the sole homebuilder within Phase 2A of Cresson Estates in Defined Area #2. See "THE DEFINED AREA #2 DEVELOPER AND HOMEBUILDERS."

The contracts for sale of lots between the Developer and homebuilders require that earnest money be deposited with a title company and establish certain required purchases on a fixed schedule. The Developer's sole remedy for homebuilders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of earnest money.

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 Developers 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 Developers or homebuilders.

Dependence on Significant Taxpayers

BASED ON THE 2025 TAX ROLLS, THE TOP THREE TAXPAYERS, WHICH INCLUDE THE DEVELOPER, D.R. HORTON AND LGI HOMES, ARE RESPONSIBLE FOR APPROXIMATELY 33.87% OF THE DISTRICT'S 2025 TAXES AND THE TOP TEN TAXPAYERS WITHIN THE DISTRICT MAKE UP APPROXIMATELY 41.02% OF THE DISTRICT'S TAX BASE FOR 2025. See "THE DEFINED AREA #2 DEVELOPER AND HOMEBUILDERS." The Developer is expected to own a smaller portion of the taxable assessed value within Defined Area #2 in future years. While the Developer, or any taxpayer within Defined Area #2 of the District, is not obligated to make the debt service payments contemplated hereunder, the ability of any significant taxpayer, such as the Developer, to make full and timely payments of taxes levied against its property, within Defined Area #2, by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, one or more significant taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes within Defined Area #2 or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Road Bond Debt Service Fund (defined herein) or any other funds to allow for any such delinquencies. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate within Defined Area #2, hindering growth and leading to further defaults in the payment of taxes. Therefore, failure by one or more significant taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. In addition, for so long as Defined Area #2's tax base continues to be concentrated in a relatively small number of taxpayers, the willingness and ability of such taxpayers to pay maintenance taxes and to make future operating advances may affect the flow of funds into the District's General Fund.

Undeveloped Acreage/Vacant Lots

Approximately 97.116 acres of land within Defined Area #2 have been developed as Cresson Estates Phase 1. Cresson Estates Phase 1 contains 308 single family residential lots. There are currently 80 finished but vacant lots owned by the Homebuilders of which 60 are owned by the Developer or an affiliate of the Developer. The remaining 20 finished but vacant lots are owned by D.R. Horton and LGI Homes. Additionally, there are approximately 277.496 acres of undeveloped land including Phase 2A of Cresson Estates, where paving has commenced for the development of an additional 242 lots. Phase 2A of Cresson Estates is expected to be completed by June 2026. See "THE DISTRICT—Defined Area #2 Land Use." Failure of the Developer and/or homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of Defined Area #2 issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Overlapping Debt and Taxes

The District cannot predict and has no control over future debt and tax plans of the overlapping jurisdictions. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Estimated Overlapping Debt and Taxes." There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property within Defined Area #2 of the District will be competitive with the composite of the tax rates imposed on competing projects in the surrounding area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values with Defined Area #2 and the investment quality or security of the Bonds could be adversely affected.

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of Defined Area #2 property owners to pay their taxes. After issuance of the Bonds, the average annual debt service requirement is \$685,378 (2027 through 2056) and the maximum annual debt service requirement is \$712,300 (2056). The 2025 certified net taxable assessed valuation of Defined Area #2 is \$43,963,671. Assuming no increase or decrease from the 2025 certified net assessed valuation and no use of funds other than tax collections, a tax rate of \$1.6410 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement and a tax rate of \$1.7055 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement. The Defined Area #2 2026 preliminary net taxable assessed valuation of the District is \$64,481,110. Assuming no increase or decrease from the Defined Area #2 2026 preliminary net taxable assessed valuation of the District and no use of funds other than tax collections, a tax rate of \$1.1189 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement and a tax rate of \$1.1628 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Debt Service Requirements"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2025 certified net taxable assessed valuation and the Defined Area #2 2026 preliminary net taxable assessed valuation of the District, the District can make no representations regarding the future level of assessed valuation within Defined Area #2. Increases in the tax rate may be required in the event significant taxpayers do not timely pay their District taxes. Any increase in taxable

values depends on the continuing construction and sale of homes and other taxable improvements within Defined Area #2. See “TAXING PROCEDURES” and “TAX DATA-Defined Area #2 Tax Adequacy for Debt Service.”

Landowners/Developer/Homebuilders Under No Obligation to the District

There are no commitments from or obligations of the Developer or homebuilders within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in Defined Area #2, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in Defined Area #2. Further, while the Developer is not obligated to make the debt service payments on the Bonds, the District is dependent upon the Developer and the other landowners for the timely payment of ad valorem taxes. The District cannot predict what the future financial condition of the Developer will be or what effect, if any, such condition may have on their ability to pay taxes.

Operating Funds

The District’s main sources of operating revenue are maintenance and operations property tax revenues and water and wastewater system revenues. The District adopted a 2025 maintenance tax of \$1.00 per \$100 of taxable assessed valuation. The District’s general fund balance as of April 16, 2026 was \$1,518,567. The District is not reliant on developer advances for its operating needs. According to the fiscal year 2026 operating budget, revenue produced from maintenance and operations property taxes and water and wastewater system revenues are currently sufficient to offset the current operating expenses of the District. Future maintenance of a positive general fund balance may depend upon continued development and increased amounts of maintenance and operations property tax revenue and water and wastewater system revenues. If funds from these sources are not forthcoming, the District may have to increase its water and wastewater charges. The District’s maintenance and operations tax rate is limited to \$1.00 per \$100 assessed valuation as approved by the District’s voters on May 4, 2019. **District Operating Funds are not pledged to the repayment of the Bonds.**

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes within Defined Area #2. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within Defined Area #2 of the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within Defined Area #2 of the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) — Estimated Overlapping Debt and Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies and Bankruptcy Limitations

The Bond Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. 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. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly 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 or 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, default by the District in its covenants in the

Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District could be 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.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy code ("Chapter 9"). Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered Owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. The District may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, unlimited tax utility bonds and unlimited tax road bonds, and to borrow for any valid corporate purpose; payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District or solely within Defined Area #2 of the District. Proceeds of ad valorem taxes levied against taxable property within the District but outside of the boundaries of Defined Area #2 do not secure the Bonds.

Pursuant to an election held on May 4, 2019, the District's electors authorized a total of \$49,200,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities and \$41,500,000 principal amount of unlimited tax bonds for roads. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to \$61,500,000 for the purpose of refunding Utility Bonds and \$51,875,000 for the purpose of refunding road bonds. Such bonds, if issued, would be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District, including Defined Area #2 of the District.

At elections held within Defined Area #2 of the District on May 6, 2023, voters authorized a total of \$92,115,000 of unlimited tax bonds, consisting of \$25,160,000 for road purposes (the "Road Bonds") and \$66,955,000 for water, sewer, and drainage purposes (the "Utility Bonds") for issuance secured by ad valorem taxes in only Defined Area #2. After the issuance of the Bonds, the District will have \$14,020,000 in Road Bonds and \$66,955,000 in Utility Bonds authorized but unissued in Defined Area #2. Voters within Defined Area #2 have also authorized \$31,450,000 in bonds for the purpose of refunding Road Bonds (the "Road Refunding Bonds") and \$83,693,750 in bonds for the purpose of refunding Utility Bonds (the "Utility Refunding Bonds"). According to the District Engineer, such remaining authorization of unlimited tax bonds for water, wastewater, storm drainage, and road purposes will be sufficient to finance improvements for the remainder of Defined Area #2. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes levied against all taxable property within the District or solely within Defined Area #2 of the District. See "THE BONDS—Authority for Issuance." The issuance of additional obligations may increase the District's and/or Defined Area #2's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Pursuant to developer financing and reimbursement agreements, prior to the issuance of the Bonds, the District owes approximately \$6,570,000 road costs to the Defined Area #2 Developer of which \$6,320,000 are expected to be reimbursed with proceeds of the Bonds. The District also owes reimbursable costs to the Defined Area #2 Developer for the construction of utility improvements. At this time, the District is quantifying the amount of eligible utility improvement costs owed to the Developer. The District expects the issuance of additional Defined Area #2 Road Bonds and Utility Bonds in the future to reimburse the Developer for engineering and construction of water, wastewater and storm drainage facilities, and roads and related improvements benefitting Defined Area #2 as land development and home construction progress.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District and/or Defined Area #2's voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District secured by proceeds of annual ad valorem property taxes, without legal limitation as to rate or amount, levied against all taxable property within the District, issued for road purposes, may not exceed one-fourth of the assessed valuation of the real property in the District. Additionally, the total amount of bonds and other obligations of the District secured solely by proceeds of annual ad valorem property taxes, without legal limitation as to rate or amount, levied against all taxable property solely

within Defined Area #2 of the District, issued for road purposes, may not exceed one-fourth of the assessed valuation of the real property in Defined Area #2 of the District, including Defined Area #2's share of District-wide bonds issued for road purposes. The issuance of additional bonds for the purpose of financing water, wastewater and drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "THE BONDS—Authority for Issuance."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the City of Cresson; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

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; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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.

Future and Proposed Legislation

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

Marketability of the Bonds

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 of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Extreme Weather Events

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, freeze, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property within Defined Area #2 of the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of Defined Area #2 or an increase in the District's Defined Area #2 tax rates.

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.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “LEGAL MATTERS” and “TAX MATTERS.”

Cybersecurity

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bond Order will authorize the issuance and sale of the Bonds and prescribe the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated and accrue interest from June 1, 2026, with interest payable on March 15, 2027, and on each September 15 and March 15 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. Interest will be payable on the basis of a 360-day year of twelve 30-day months. The Bonds mature on September 15 in each of the years and in the amounts, and pay interest at the rates, shown on the cover page hereof. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 7968 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Bonds (the “Bond Order”), adopted on the date of the sale of the Bonds by the Board of Directors of the District (the “Board”); and an election held within Defined Area #2 on May 6, 2023.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source and Security for Payment

The Bonds and any additional Defined Area #2 unlimited tax road bonds issued in the future will be payable from and secured by a pledge of the proceeds of an annual road ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located solely within Defined Area #2 of the District. The District may also levy a separate annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property located within the District, including Defined Area #2, for the payment of unlimited tax road bonds and/or unlimited tax utility bonds. The District may also levy a separate annual utility ad valorem tax, without legal limitation as to rate or amount, upon all taxable property located solely within Defined Area #2, for the payment of unlimited utility bonds. Taxes collected and deposited to the Road Bond Debt Service Fund cannot be used to pay debt service on any other unlimited tax bonds issued for utility purposes or secured by all taxable property located within the District, including Defined Area #2. Likewise, taxes collected and deposited to any future utility bond debt service

fund or any future District-wide road bond debt service fund cannot be used to pay debt service on the Bonds or any future Defined Area #2 road bonds. See “TAXING PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “RISK FACTORS.” The Bonds are obligations of the District and are not obligations of the City of Cresson, Texas; Hood County, Texas; Johnson County, Texas; Parker County, Texas; the State of Texas or any entity other than the District.

Outstanding Bonds

The District has \$3,240,000 of unlimited tax bonds outstanding secured solely by proceeds of ad valorem taxes levied against all taxable property within Defined Area #2. The Bonds are the District’s second series of Defined Area #2 Road Bonds. The District has not issued unlimited tax utility bonds secured by proceeds of ad valorem taxes levied against all taxable property within the District or solely within Defined Area #2.

Funds

The Bond Order creates a Series 2026 Defined Area #2 Road Capital Projects Fund (the “Construction Fund”) and a Series 2026 Defined Area #2 Road Debt Service Fund (the “Road Bond Debt Service Fund”). Accrued interest on the Bonds and capitalized interest through September 15, 2027 will be deposited from the proceeds from the sale of the Bonds into the Road Bond Debt Service Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund or used to pay costs of issuance. The Road Bond Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, 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. Amounts on deposit in the Road Bond Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (as herein defined) and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds. The District currently does not have a separate road bond debt service fund for the payment of debt service on unlimited tax road bonds, secured by a pledge of the proceeds of an annual road ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District, including Defined Area #2. Moreover, the District currently does not have a separate utility bond debt service fund for the payment of debt service on unlimited tax utility bonds secured by a pledge of the proceeds of an annual road ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District, including Defined Area #2 or solely on all taxable property located within Defined Area #2 of the District.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 15, 2034 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 15, 2033, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District, provided that if fewer than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed shall be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by a book entry at a securities depository, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected in accordance with arrangements between the District and the securities depository. See “BOOK-ENTRY-ONLY SYSTEM.”

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bond or portions thereof so redeemed shall no longer be regarded as outstanding except for purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed UMB Bank, N.A., having a designated payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds (the “Paying Agent/Registrar,”). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year. The record

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

Registration and Transfer

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be either a duly qualified and competent bank or trust company organized under the laws of the State of Texas.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) authorizes bonds of the District (including the Bonds) to be 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 purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might 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 Event of Default

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any registered owner ("Registered Owner(s)") shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

If the District defaults in the payment of principal, interest, or the 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, obligations or conditions prescribed in the Bond Order, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Except for a 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. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Further, certain traditional legal remedies also may not be available. See “RISK FACTORS—Registered Owners’ Remedies and Bankruptcy Limitations.”

Defeasance

The Bond Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, maturing as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Bond Order provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, 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.

Annexation

The District encompasses approximately 3,234.940 acres and is partially within the limits of the City of Cresson, Texas (the “City”), partially within the extraterritorial jurisdiction of the City, and partially outside of the City’s limits and extraterritorial jurisdiction within the counties of Hood, Johnson and Parker. Under Texas law, a municipality may annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district subject to compliance by the municipality with various requirements of Chapter 43 of the Texas Local Government Code (“Chapter 43”). Under Chapter 43, (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. The District has an approximate population of approximately 81, thus triggering the process discussed in clause (a) above. The above described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the district. The City and the District are not currently parties to a strategic partnership agreement.

If the District is annexed, the City must assume the assets, functions, and obligations of the District (including the Bonds) and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Consolidation

The District has the legal authority, upon a favorable election in each district, to consolidate with one or more other districts and, thereafter, to become one district and be governed as one district. However, debts created prior to consolidation, such as the Bonds, remain debts of the original districts, payable from taxes levied on land in the original districts as if they had not consolidated or from contributions from the consolidated district on terms stated in the consolidation agreement. No

representation is made concerning whether the District will consolidate with any other district, and the District currently has no plans to do so.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million and \$215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISKS

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 Bond shall have a claim under the Policy for such payments. 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 Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the Insurer without their consent, so long as the Insurer performs its obligations under the applicable Policy. In the event the 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 raised pursuant to the applicable bond documents. In the event the 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.

In the event bond insurance is purchased, the long-term rating on the Bonds will be dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Rating and Bond Insurance."

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer the remedies may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Municipal Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by 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 Municipal Advisor (defined herein) believe the source of such information to be reliable, but neither of the District nor the Municipal Advisor take any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants (defined herein), (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 Securities and Exchange Commission, 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 requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

ESTIMATED USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds and capitalized interest. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Municipal Advisor (each hereinafter 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. Any surplus funds may be expended for any lawful purpose for which surplus construction funds may be used. No TCEQ approval is required for road bonds, such as the Bonds.

CONSTRUCTION COSTS AND LAND	
1. Cresson Estates Phase 1	\$ 2,449,762 ⁽¹⁾
2. Cresson Estates Phase 2	3,625,857 ⁽²⁾
3. Cresson Estates Phase 1 Right-of-Way	244,381 ⁽³⁾
TOTAL CONSTRUCTION COSTS AND LAND	<u>\$ 6,320,000</u>
NON-CONSTRUCTION COSTS	
1. Legal and Fiscal Professional Fees	\$ 370,000
2. Capitalized Interest (through September 15, 2027)	454,535
3. Bond Discount	224,166
4. Other Bond Issuance Expenses	88,594
5. Attorney General Review Fee	7,500
6. Additional Deposit to Project Fund	35,204 ⁽⁴⁾
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 1,180,000</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 7,500,000</u>

(1) Cresson Estates Phase 1 Construction Expenses: The total appraisal expenditure associated with this project is \$8,298,403; Of the total, only \$5,141,494 is associated with road construction. \$2,691,732 was previously reimbursed with the 2024 Road Bond (Bond Issue #1), leaving a balance due of \$2,449,762 which is requested with this bond issue.

(2) Cresson Estates Phase 2 Construction Expenses: The total expenditure associated with this project is \$7,398,878; Of the total, only \$3,876,047 is associated with road construction. \$3,625,857 is requested with this bond issue; leaving a balance of \$250,190 to be reimbursed in a future bond issue.

- (3) Cresson Estates Phase 1 Right-Of-Way Total Reimbursable Land Cost is \$244,381; Amount subject to road bond reimbursement is \$244,381; Amount to be reimbursed this issue is \$244,381.
- (4) Represents the difference between actual and estimated amounts of Capitalized Interest, Bond Discount and Bond Issuance Expenses.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The Cresson Crossroads Municipal Utility District No. 2 (the “District”) was created by the acts of the 85th Texas Legislature in 2017 (Senate Bill No. 905) codified as Chapter 7968, Texas Special District Local Laws Code. The District has the powers and duties provided by the general laws of the State of Texas, including Chapters 49 and 54, Water Code, applicable to municipal utility districts created under Section 59, Article XVI, Texas Constitution. Under Section 52, Article III, Texas Constitution, the District may design, acquire, construct, finance issue bonds for, improve, operate, maintain, and convey to this state, a county, or a municipality for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads. The District encompasses approximately 3,234.940 acres and is partially within the corporate limits of the City of Cresson, Texas (the “City”), partially within the extraterritorial jurisdiction of the City, and partially outside of the City’s limits and extraterritorial jurisdiction within the counties of Hood, Johnson and Parker. At the time of creation, the District contained approximately 564.056 acres. On November 18, 2021, the District annexed an additional approximate 374.612 acres, bringing the total District area to approximately 939.396 acres. On January 18, 2023, the District annexed an additional approximate 1,081.034 acres, bringing the total District area to approximately 2,020.430 acres. On December 20, 2023, the District annexed an additional approximate 1,155.69 acres, bringing the total District area to approximately 3,176.120 acres. On September 19, 2024, the District annexed an additional approximate 58.82 acres, bringing the total District area to approximately 3,234.940 acres.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and, the construction, operation and maintenance of macadamized, graveled or paved roads and improvements, including storm drainage, in aid of those roads. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from City of Cresson; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds. The District is not empowered to fund parks and recreational facilities with bonds funded by taxes, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s utility system is subject to the regulatory jurisdiction of additional governmental agencies such as the Upper Trinity Regional Water District, which regulates the production and management of the District’s groundwater. See “THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Regulation.”

Location

The District’s lands are generally located north, south and southeast of the City approximately 26 miles from downtown Fort Worth, Texas; 13 miles from Granbury, Texas; 20 miles from Cleburne, Texas; and 21 miles from Weatherford, Texas. Access to the District is generally from U.S. Highway 377 and State Highway 171. The District is located within the Granbury Independent School District and the Godley Independent School District.

Defined Area #2, located in the southeastern section of the District, encompasses approximately 374.612 acres of land within the District outside of the City limits in Johnson County. Access to Defined Area #2 is generally from State Highway 171 and County Road 1000. Defined Area #2 is located in the Granbury Independent School District.

THE DEFINED AREAS

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities, or services that primarily benefit that area. Pursuant to an order approved by the Board of Directors on February 13, 2023 and amended on December 20, 2023, the District took action to proceed with the creation of three (3) separate defined areas, Defined Area #1, Defined Area #2, and Defined Area #3.

Defined Area #1

Defined Area #1 encompasses approximately 429.864 acres (the “Defined Area #1”). At an election held within Defined Area #1 on May 6, 2023, the voters in Defined Area #1 authorized a total of \$131,220,000 of unlimited tax bonds, consisting of \$40,795,000 for road purposes and \$90,425,000 for water, sewer, and drainage purposes. The voters within Defined Area #1 also authorized \$50,993,750 in bonds for the purpose of refunding road bonds and \$113,031,250 in bonds for the purpose of refunding utility bonds. Bonds issued for Defined Area #1 are payable solely from the proceeds of taxes levied within the boundaries of Defined Area #1 and not on any other part of the District. All such taxes levied by the District upon Defined Area #1 would be in addition to the taxes levied by the District upon all taxable property within the District. See “TAX DATA – Estimated Overlapping Taxes.”

Defined Area #2

Defined Area #2 encompasses approximately 375.34 acres (the “Defined Area #2”). At an election held within Defined Area #2 on May 6, 2023, the voters in Defined Area #2 authorized a total of \$92,115,000 of unlimited tax bonds, consisting of \$25,160,000 for road purposes (the “Road Bonds”) and \$66,955,000 for water, sewer, and drainage purposes (the “Utility Bonds”). The voters within Defined Area #2 also authorized \$31,450,000 in bonds for the purpose of refunding road bonds (the “Road Refunding Bonds”) and \$83,693,750 in bonds for the purpose of refunding utility bonds (the “Utility Refunding Bonds”). Bonds issued for Defined Area #2 are payable solely from the proceeds of taxes levied within the boundaries of Defined Area #2 and not on any other part of the District. All such taxes levied by the District upon Defined Area #2 would be in addition to the taxes levied by the District upon all taxable property within the District. See “TAX DATA – Estimated Overlapping Taxes.”

Defined Area #3

Defined Area #3 encompasses approximately 2,234.16 acres (the “Defined Area #3”). At an election held within Defined Area #3 on May 4, 2024, the voters in Defined Area #3 authorized a total of \$282,890,000 of unlimited tax bonds, consisting of \$148,245,000 for road purposes and \$134,645,000 for water, sewer, and drainage purposes. The voters within Defined Area #3 also authorized \$185,306,250 in bonds for the purpose of refunding road bonds and \$168,306,250 in bonds for the purpose of refunding utility bonds. Bonds issued for Defined Area #3 are payable solely from the proceeds of taxes levied within the boundaries of Defined Area #3 and not on any other part of the District. All such taxes levied by the District upon Defined Area #3 would be in addition to the taxes levied by the District upon all taxable property within the District. See “TAX DATA – Estimated Overlapping Taxes.”

(Continues on following page)

Defined Area #2 Land Use

The following table has been provided by the Developer and represents the current land use within Defined Area #2 of the District.

Phase	Acreage	Planned Single Family Lots	Lots Under Construction	Finished Lots	Vacant Lots	Homes Under Construction	Completed Homes
<i>Cresson Estates:</i>							
Phase 1	97.116	308	0	0	80	90	138
Subtotal:	97.116	308	0	0	80	90	138
<i>Future Development:</i>							
Phases 2-4 Residential	239.70	987	242	0	0	0	0
Multifamily	30.000	0	0	0	0	0	0
Recreation Area	7.800	0	0	0	0	0	0
Subtotal:	277.496	987	242	0	0	0	0
TOTALS	374.61	1,295	242	0	80	90	138

Defined Area #2 Status of Development

Single-Family Residential: Cresson Estates Phase 1 has been fully developed. As of April 2026, Cresson Estates Phase 1 contains 308 single-family residential lots currently served by water, sewer, drainage and road facilities. There are currently 138 completed homes in Cresson Estates Phase 1, including 2 model homes, and 90 homes under construction in various stages. Homes being sold and constructed in Defined Area #2 are being offered from \$279,900 to \$341,990. The square footage of the homes built and being constructed within Defined Area #2 range from 1,318 to 2,367 square feet according to the Homebuilders. 60 vacant lots are owned by the Developer, on which 45 homes are under construction by Gold Creek Homes, an affiliate of the Developer. The remaining 20 vacant lots are owned by D.R. Horton and LGI Homes.

Recreation: Amenities consisting of a pool and a clubhouse have been completed in Cresson Estates Defined Area #2.

Defined Area #2 Future Development

Single-Family Residential: Cresson Estates Phase 2A has commenced paving. Delivery of Phase 2A of Cresson Estates is expected to be completed by June 2026. Cresson Estates Phase 2A is expected to contain an additional 242 single-family residential lots. Cresson Estates Phases 2B, 3 and 4 are planned to contain 745 lots; no development is currently underway on land planned for Cresson Estates Phases 2B, 3 and 4.

Multi-Family Residential: The current development plans include a 30-acre site for multi-family residential development. At this time, no development has occurred within the multi-family parcel.

Recreation: The current development plans include a 7.8-acre site for recreational facilities. At this time, amenities consisting of a pool and a clubhouse have been completed in Cresson Estates Defined Area #2.

THE DEFINED AREA #2 DEVELOPER AND HOMEBUILDERS

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective purchasers of the Bonds should note that the prior real estate experience of the Developer should not be construed as an indication that further development within Defined Area #2 of the District will occur, or that construction of taxable improvements upon property within Defined Area #2 of the District will occur, or that marketing or leasing of taxable improvements constructed upon property within Defined Area #2 of the District will be successful. Circumstances surrounding development within the District, and specifically Defined Area #2, 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. Prospective purchasers are urged to inspect the District in order to acquaint themselves with the nature of the business activities of the Developer. See “RISK FACTORS—Landowners/Developer/Homebuilders Under No Obligation to the District.”

The Defined Area #2 Developer

Cresson Ventures LLC (the “Developer”), a single asset entity created for the sole purpose of developing land in Defined Area #2, is the only developer of land within Defined Area #2. Cresson Ventures LLC is managed by C. Ryan Voorhees. Mr. Voorhees, with experience in the construction and development business, has developed over 4,000 single family residential lots and numerous apartment units through various entities over the last 35 years in the Dallas-Fort Worth Metroplex, New Mexico and Northern California. The Developer is currently developing Defined Area #2 as Cresson Estates.

As of Tax Year 2025, the Developer was responsible for 9.95% of the property taxes levied within Defined Area #2. The Developer currently owns 60 vacant lots, on which 45 homes are under construction by Gold Creek Homes, an affiliate of the Developer. The remaining 20 vacant lots are owned by D.R. Horton and LGI Homes. The Developer is currently undertaking the development of Phase 2A of Cresson Estates, where paving has commenced. Delivery of Phase 2A of Cresson Estates is expected to be completed by June 2026. Phase 2A of Cresson Estates is planned to contain 242 additional single-family lots. Cresson Estates Phases 2B, 3 and 4 are planned to contain 745 lots, no development is currently underway on land planned for Cresson Estates Phases 2B, 3 and 4. All of the land in future Phases 2B, 3 and 4 of Cresson Estates is owned by the Developer.

The Developer has financed the acquisition of its land in Defined Area #2 of the District with personal equity and loans. According to the Developer, there are no debt liens on Phases 1 and 2A of Cresson Estates and no debt liens on land in future Phases 2B, 3 and 4 of Cresson Estates.

An affiliate of the Developer, Kelly Ranch Estates LLC, has developed and is currently developing land within Defined Area #3 of the District as the Kelly Ranch Project. The Kelly Ranch Project is planned to contain 2,695 single-family lots, townhomes, commercial areas, a golf course, recreational facilities and a school site. As of April 2026, there were approximately 400 finished lots in Defined Area #3 of the District and an additional approximately 400 lots platted. Home construction within Defined Area #3 of the District has commenced as of February 15, 2024. Kelly Ranch Estates LLC is the landowner of a portion of the land within Defined Area #3 along with Aledo Ranch Development Co, LLC, a developer within Defined Area #3.

The Developer is not responsible for, liable for, obligated to, and have not made any commitment for payment of the Bonds or other obligations of the District, and any description of their financing arrangements or financial condition described herein should not be construed as an implication to that effect. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their properties within the District, or any other assets, at any time. Further, the Developer’s financial condition is subject to change at any time.

Defined Area #2 Homebuilders

D.R. Horton, LGI Homes and Gold Creek Homes are the only active homebuilders within Defined Area #2 of the District. As of April 2026, 248 lots within Defined Area #2 have been sold to D.R. Horton and LGI Homes. 138 homes have been built by D.R. Horton and LGI Homes, including 2 models. D.R. Horton and LGI currently have 45 homes under construction in various stages. Gold Creek Homes, an affiliate of the Developer currently has 45 homes under construction in various stages. Homes being sold and constructed in Defined Area #2 are being offered from \$279,900 to \$341,990. The square footage of the homes built and being constructed within Defined Area #2 range from 1,318 to 2,367 square feet according to the Homebuilders.

The contracts for sale of lots between the Developer and homebuilders require that earnest money be deposited with a title company and establish certain required purchases on a fixed schedule. The Developer’s sole remedies for homebuilders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of earnest money.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District, including Defined Area #2. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members own land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Bill Cherry	President	May 2030
Grant Read	Vice President	May 2028
John Sanford	Secretary	May 2028
Bill Martin	Assistant Secretary	May 2030
Stephen Bezner	Assistant Secretary	May 2030

District Consultants

The District has a general manager, Mr. Harold Sandel, but no other full-time employees. The District contracts for certain necessary services as described below.

General & Bond Counsel: Coats Rose, P.C., Dallas, Texas serves as General Counsel and Bond Counsel to the District. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas, has been engaged by the District to serve as “Disclosure Counsel” for the District. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Municipal Advisor: Hilltop Securities Inc., Dallas, Texas, serves as the District’s Municipal Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Tax Assessor/Collector: The Hood County Appraisal District, the Central Appraisal District of Johnson County and the Parker County Appraisal District (the “Appraisal Districts”) have the responsibility of appraising all property within the District. Property within Defined Area #2 is appraised by the Central Appraisal District of Johnson County (the “Johnson County Appraisal District”). See “TAXING PROCEDURES.” The District has contracted with the Johnson County Tax-Assessor-Collector to perform the tax collection function within Defined Area #2.

Engineer: The District’s consulting engineer is Kimley-Horn, Frisco, Texas.

Bookkeeper: The District has contracted with Dye & Toverly, LLC, Plano, Texas for bookkeeping services.

Auditor: The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, to prepare the District’s audited financial statements for the year ended June 30, 2025. A final copy of the Annual Financial Report of the District for the year ended June 30, 2025 is attached as Appendix A hereto. The draft financial statements have not been approved by the District’s Board of Directors.

Water and Wastewater System Operator: Inframark, Forney, Texas.

THE WATER, WASTEWATER AND DRAINAGE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "Utility System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency.

Water Supply

The District obtains water from wells T-1 and P-1 within the District's water system, No. TX1110128. All water supply and distribution system improvements were designed in accordance with criteria established by the TCEQ to meet pressure demand requirements under peak demand conditions.

Wastewater Treatment

All existing wastewater treatment improvements were designed in accordance with the design criteria established by the TCEQ and the City of Cresson. The existing wastewater treatment plant ("WWTP") supports 590 equivalent single-family connections (ESFCs) at 300-gallons per day (gpd) per ESFC.

The District has been advised that a Texas Pollutant Discharge Elimination System ("TPDES") permit issue exists with respect to the WWTP serving the District and the City. Pursuant to a Facilities Improvements Agreement among the District, the City, and the Developer, the City intended to transfer the applicable TPDES permit for the WWTP to the District and submitted a permit transfer request to the TCEQ. Around the same time, the City also requested cancellation of a separate TPDES permit for the City that was no longer needed. Due to an apparent administrative error by the TCEQ, the TPDES permit for the WWTP serving the District was canceled rather than transferred. TCEQ staff advised the District that the canceled permit cannot be reinstated and a new permit application must be submitted.

With the knowledge of the TCEQ, the WWTP has remained in operation, serving the City and the District. The District's Operator has continued operating the WWTP in accordance with the terms and conditions of the canceled permit and has continued submitting discharge monitoring reports to TCEQ pending issuance of a new permit. The District continues to serve the existing connections and is accepting requests for new connections. The District expects to submit an application for a new TPDES permit for the WWTP in the near future. The District cannot predict when the application might be approved or the timeframe for resolution.

Flood Protection

According to the District's Engineer, approximately 10.208 acres of the developable land in Defined Area #2 are within the 100-year floodplain. No lots are included within the 100-year floodplain.

THE ROAD SYSTEM

Construction of the District's roads is subject to certain regulation by the City of Cresson and/or the counties the District is located in (Hood, Johnson and Parker counties). Construction of Defined Area #2 roads are only subject to certain regulations adopted by Johnson County. All roads within the District are to be operated and maintained by the District, unless the respective counties the District is located in agree to maintain such roads by formal action of the respective counties commissioners courts. To date, no such action has occurred, and the Road System is currently expected to be owned, operated and maintained by the District, including the road system within Defined Area #2.

Roads within the District are constructed with reinforced 6-inch concrete pavement with curbs on lime stabilized subgrade. The local interior streets within the project are 50 feet of right-of-way. The Road System also includes streetlights. Franchise utilities (power, phone, gas and cable) are typically located adjacent to the roadway. Public utilities such as water, wastewater and storm drainage are typically located within street rights of way. All roadway improvements were designed in accordance with the applicable criteria of the City of Cresson, Hood County, Johnson County and/or Parker County; as applicable.

DISTRICT OPERATING STATEMENT

Principal of and interest on the Bonds are payable solely from the proceeds of an unlimited tax levied against all taxable property within the boundaries of Defined Area #2.

The District is the owner of the water and wastewater systems. The District therefore receives revenue from providing water and wastewater service to its residents and property owners, including Defined Area #2. According to the fiscal year 2025 budget, the District was not dependent on the developer advances for operating funds. However, the District cannot predict that the District's operating revenues, including maintenance and operations property taxes, and revenues derived from the ownership of the water and wastewater systems serving the District, in future years will be sufficient to fund its future obligations and expenses or that an increase in its maintenance tax or user charges may not be required in the future. See APPENDIX A and APPENDIX B.

Upon issuance of the Bonds, the District will be required to obtain an annual audit. The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, to prepare the audited annual financial report for the year ended June 30, 2025 and also to perform certain agreed-upon procedures related to the use of proceeds from the Bonds to reimburse the Developer. A final copy of the Annual Financial Report of the District for the year ended June 30, 2025 is attached as Appendix A hereto. The draft financial statements have not been approved by the District's Board of Directors.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

Assessed Value, Debt Ratios and Fund Balances

Defined Area #2 Tax Year 2025 Certified Net Taxable Assessed Valuation	\$ 43,963,671 ⁽¹⁾
Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	\$ 64,481,110 ⁽²⁾
Gross Direct Debt Outstanding upon Issuance of the Bonds	\$ 10,740,000
Ratio of Gross Direct Debt to Defined Area #2 Tax Year 2025 Certified Net Taxable Assessed Valuation	24.43%
Ratio of Gross Direct Debt to Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation	16.66%
Estimated Defined Area #2 Road Bond Debt Service Fund Balance (at Delivery Date of the Bonds)	\$ 544,393 ⁽³⁾
General Fund Balance as of April 16, 2026	\$ 1,518,567 ⁽⁴⁾

(1) As provided by the Central Appraisal District of Johnson County. See "TAXING PROCEDURES."

(2) As provided by the Central Appraisal District of Johnson County. Taxes will not be levied on this amount. For illustration purposes only.

(3) Any funds in the Road Bond Debt Service Fund (defined herein) are pledged only to pay the debt service on the Bonds and any additional Defined Area #2 Road Bonds. Neither Texas law nor the Bond Order require the District to maintain any minimum balance in the Road Bond Debt Service Fund. Upon delivery of the Bonds, the District will deposit the accrued interest from the Dated Date to the Delivery Date and capitalized interest through September 15, 2027 in the Road Bond Debt Service Fund.

(4) See "RISK FACTORS - Operating Funds."

Investments of the District

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

Anticipated Issuance of Additional Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, unlimited tax utility bonds and unlimited tax road bonds, and to borrow for any valid corporate purpose; payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District or solely within Defined Area #2 of the District. Proceeds of ad valorem taxes levied against taxable property within the District but outside of the boundaries of Defined Area #2 do not secure the Bonds.

Pursuant to an election held on May 4, 2019, the District's electors authorized a total of \$49,200,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities and \$41,500,000 principal amount of unlimited tax bonds for roads. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to \$61,500,000 for the purpose of refunding Utility Bonds and \$51,875,000 for the purpose of refunding road bonds. Such bonds, if issued, would be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District including Defined Area #2 of the District.

At elections held within Defined Area #2 of the District on May 6, 2023, voters authorized a total of \$92,115,000 of unlimited tax bonds, consisting of \$25,160,000 for road purposes (the "Road Bonds") and \$66,955,000 for water, sewer, and drainage purposes (the "Utility Bonds"). After the issuance of the Bonds, the District will have \$14,420,000 in Road Bonds and \$66,955,000 in Utility Bonds authorized but unissued. Voters within Defined Area #2 have also authorized \$31,450,000 in bonds for the purpose of refunding Road Bonds (the "Road Refunding Bonds") and \$83,693,750 in bonds for the purpose of refunding Utility Bonds (the "Utility Refunding Bonds"). According to the District Engineer such remaining authorization of unlimited tax bonds for water, wastewater, storm drainage, and road purposes will be sufficient to finance improvements for the remainder of Defined Area #2. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes levied against all taxable property within the District or solely within Defined Area #2 of the District. See "THE BONDS—Authority for Issuance." The issuance of additional obligations may increase the District's and/or Defined Area #2's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Pursuant to developer financing and reimbursement agreements, prior to the issuance of the Bonds, the District owes approximately \$6,570,000 road costs to the Defined Area #2 Developer of which \$6,320,000 are expected to be reimbursed with proceeds of the Bonds. The District also owes reimbursable costs to the Defined Area #2 Developer for the construction of utility improvements. At this time, the District is quantifying the amount of eligible utility improvement costs owed to the Developer. The District expects the issuance of additional Defined Area #2 Road Bonds and Utility Bonds in the future to reimburse the Developer for engineering and construction of water, wastewater and storm drainage facilities, and roads and related improvements benefitting Defined Area #2 as land development and home construction progress.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District and/or Defined Area #2's voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District secured by proceeds of annual ad valorem property taxes, without legal limitation as to rate or amount, levied against all taxable property within the District, issued for road purposes, may not exceed one-fourth of the assessed valuation of the real property in the District. And, the total amount of bonds and other obligations of the District secured solely by proceeds of annual ad valorem property taxes, without legal limitation as to rate or amount, levied against all taxable property solely within Defined Area #2 of the District, issued for road purposes, may not exceed one-fourth of the assessed valuation of the real property in Defined Area #2 of the District, including Defined Area #2's share of District-wide bonds issued for road purposes. The issuance of additional bonds for the purpose of financing water, wastewater and drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt" and "THE DEFINED AREAS."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the City of Cresson; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

(Continues on following page)

Outstanding Unlimited Tax Road Bonds

The District has \$3,240,000 unlimited tax bonds outstanding secured by the proceeds of ad valorem taxes levied solely against taxable property within Defined Area #2 of the District. The District has \$2,770,000 unlimited tax bonds outstanding secured by the proceeds of ad valorem taxes levied solely against taxable property within Defined Area #3 of the District. The Bonds are the second series of Defined Area #2 Road Bonds. The District has not issued unlimited tax road bonds secured by proceeds of ad valorem taxes levied against all taxable property within the District, Defined Area #1 of the District.

Outstanding Unlimited Tax Utility Bonds

The District has not issued unlimited tax utility bonds secured by proceeds of ad valorem taxes levied against all taxable property within the District or solely within Defined Area #2.

District-wide Unlimited Tax Bonds Voted Authorization

<i>DISTRICT-WIDE</i>					
Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Utility Bonds	5/4/2019	\$ 49,200,000	\$ -	\$ -	\$ 49,200,000
Refunding Utility Bonds	5/4/2019	61,500,000	-	-	61,500,000
Road Bonds	5/4/2019	41,500,000	-	-	41,500,000
Refunding Road Bonds	5/4/2019	51,875,000	-	-	51,875,000
Total		<u>\$ 204,075,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,075,000</u>

Defined Area #2 Unlimited Tax Bonds Voted Authorization

<i>DEFINED AREA #2</i>					
Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Utility Bonds	5/6/2023	\$ 66,955,000	\$ -	\$ -	\$ 66,955,000
Refunding Utility Bonds	5/6/2023	83,693,750	-	-	83,693,750
Road Bonds	5/6/2023	25,160,000	3,240,000	7,500,000 ⁽¹⁾	14,420,000
Refunding Road Bonds	5/6/2023	31,450,000	-	-	31,450,000
Total		<u>\$ 207,258,750</u>	<u>\$ 3,240,000</u>	<u>\$ 7,500,000</u>	<u>\$ 196,518,750</u>

(1) The Bonds.

(Continues on following page)

Defined Area #2 Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds and the debt service requirements on the Bonds.

Calendar Year Ending 31-Dec	Outstanding Debt Service			The Bonds ⁽¹⁾			Total Unlimited Tax Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
2026	\$ 55,000	\$ 154,430	\$ 209,430	\$ -	\$ -	\$ -	\$ 209,430	
2027	60,000	152,230	212,230	-	471,822	471,822	684,052	
2028	60,000	149,830	209,830	110,000	366,069	476,069	685,899	
2029	65,000	147,430	212,430	115,000	358,231	473,231	685,661	
2030	65,000	144,830	209,830	120,000	350,038	470,038	679,868	
2031	70,000	142,230	212,230	125,000	341,488	466,488	678,718	7.87%
2032	70,000	139,360	209,360	135,000	332,581	467,581	676,941	
2033	75,000	136,420	211,420	140,000	322,963	462,963	674,383	
2034	80,000	133,195	213,195	145,000	312,988	457,988	671,183	
2035	80,000	129,675	209,675	155,000	302,656	457,656	667,331	
2036	85,000	126,075	211,075	165,000	293,356	458,356	669,431	18.39%
2037	90,000	122,165	212,165	170,000	285,106	455,106	667,271	
2038	95,000	118,025	213,025	180,000	278,094	458,094	671,119	
2039	100,000	113,560	213,560	190,000	270,669	460,669	674,229	
2040	100,000	108,860	208,860	205,000	262,831	467,831	676,691	
2041	105,000	104,060	209,060	215,000	254,375	469,375	678,435	31.89%
2042	110,000	99,020	209,020	225,000	245,506	470,506	679,526	
2043	120,000	93,630	213,630	230,000	235,944	465,944	679,574	
2044	125,000	87,750	212,750	245,000	226,169	471,169	683,919	
2045	130,000	81,500	211,500	260,000	215,450	475,450	686,950	
2046	135,000	75,000	210,000	275,000	204,075	479,075	689,075	49.16%
2047	145,000	68,250	213,250	285,000	191,700	476,700	689,950	
2048	150,000	61,000	211,000	305,000	178,875	483,875	694,875	
2049	160,000	53,500	213,500	315,000	164,769	479,769	693,269	
2050	165,000	45,500	210,500	335,000	150,200	485,200	695,700	
2051	175,000	37,250	212,250	350,000	134,706	484,706	696,956	71.37%
2052	180,000	28,500	208,500	375,000	118,519	493,519	702,019	
2053	190,000	19,500	209,500	395,000	101,175	496,175	705,675	
2054	200,000	10,000	210,000	410,000	82,413	492,413	702,413	
2055	-	-	-	645,000	62,938	707,938	707,938	
2056	-	-	-	680,000	32,300	712,300	712,300	100.00%
	<u>\$ 3,240,000</u>	<u>\$ 2,882,775</u>	<u>\$ 6,122,775</u>	<u>\$ 7,500,000</u>	<u>\$ 7,148,003</u>	<u>\$ 14,648,003</u>	<u>\$ 20,770,778</u>	

(1) Net effective interest rate calculated at 4.833681%.

Maximum Annual Debt Service Requirement (2056)	\$712,300
Average Annual Debt Service Requirements (2027-2056).....	\$685,378

(Continues on following page)

Estimated Overlapping Debt and Taxes

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which Defined Area #2 of the District is located and the estimated percentages and amounts of such indebtedness attributable to property within Defined Area #2. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping Defined Area #2 of the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Property within Defined Area #2 of the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an approximate calculation of overlapping debt and the tax rates imposed for the 2025 tax year by all taxing jurisdictions overlapping Defined Area #2 of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Taxing Jurisdiction	2025 Certified Taxable Assessed Value ⁽¹⁾	2025 Total Tax Rate ⁽¹⁾	Total GO Debt as of 5/1/2026	Estimated % Applicable	Defined Area #2 Overlapping Debt as of 5/1/2026
The District	\$ 111,230,143	\$ 1.0000	\$ -	39.52%	\$ -
Defined Area #2 of the District	43,963,671	-	10,740,000 ⁽²⁾	100.00%	10,740,000
Johnson County (incl. Farm to Market/Lateral Road)	27,002,431,359	0.3793	45,375,000	0.16%	73,877
Johnson County Emergency Services District	14,338,229,205	0.0565	-	0.31%	-
Granbury Independent School District	11,415,480,315	0.0930	58,260,000	0.39%	224,373
		<u>\$ 1.5287</u>			<u>\$ 11,038,250</u>
Ratio of Direct and Overlapping Debt to the Defined Area #2 2025 Certified Net Taxable Assessed Valuation					25.11%
Ratio of Direct and Overlapping Debt to the District's Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation					17.12%

(1) Taxable Assessed Values and Tax Rates as reported by the Hood County Appraisal District, the Central Appraisal District of Johnson County and the Parker County Appraisal District.

(2) Includes the Bonds.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds, the Outstanding Bonds and any future Defined Area #2 road bonds. The District may also levy a tax to provide funds to pay the principal and interest on any future Defined Area #2 utility bonds. Additionally, the District may also levy a tax to provide funds to pay the principal and interest on any future road and/or utility unlimited tax bonds secured by proceeds of an annual ad valorem tax against all taxable property within the District, including Defined Area #2.

In 2025, the District did not adopt a tax to pay debt service on bonds issued for road purposes or utility purposes, whether over the District or over Defined Area #2 only, as the District had no debt outstanding. See "TAX DATA— District and Defined Area #2 Tax Rate Distribution," "—Defined Area #2 Tax Roll Information" and "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters.

A maintenance tax election was conducted on May 4, 2019. The voters of the District authorized, among other things, the Board to levy a maintenance tax not to exceed \$1.00 per \$100 of taxable assessed valuation within the entire district for operation and maintenance purposes, including but not limited to planning, constructing, acquiring, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment of water, sewer and drainage of the District and for paying costs of proper services, engineering and legal fees and organization and administrative expenses, in accordance with the constitution and laws of the State of Texas, including particularly (but not by way of limitation) Section 49.107 of the Texas Water Code. The District is also authorized to levy a Defined Area #2 maintenance tax in addition to a maintenance tax levied within the entire district.

A maintenance tax is in addition to unlimited debt service taxes which the District is authorized to levy for paying principal of and interest on the Bonds, future Defined Area #2 bonds secured by proceeds of an annual ad valorem tax against all taxable property within Defined Area #2, and future bonds secured by proceeds of an annual ad valorem tax against all taxable property within the entire District.

For Tax Year 2025, the District adopted a tax equivalent to \$1.0000 per \$100 of taxable assessed valuation for maintenance and operation purposes. All taxable property within the District, including taxable property within Defined Area #2, was subject to such tax.

Contract Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax to make payments under a contract, if the provisions of the contract have been approved by a majority of the qualified voters of the District, and such tax is approved by the TCEQ. To date, the voters in the District have not approved contracts between the District and other parties and the levy of a tax without legal limitation as to rate or amount in support thereof. Such tax would be in addition to taxes which the District is authorized to levy for paying principal of and interest on its road bonds and water and sewer bonds, and taxes for the maintenance and operations of the District.

Tax Exemptions

The District has not adopted any optional exemptions for property located within the District. See "TAXING PROCEDURES".

District and Defined Area #2 Tax Rate Distribution

The District levied an ad valorem property tax for the first time in 2023. The District adopted a tax rate of \$1.00 per \$100 of taxable assessed valuation for operation and maintenance purposes in Tax Year 2024 and 2025. No debt service taxes have been levied by the District. Additionally, no taxes specific to Defined Area #2, whether maintenance and operations or debt service, were levied since Tax Year 2023.

District and Defined Area #2 Historical Tax Collections

The District currently levies a tax of \$1.0000 per \$100 of assessed valuation for maintenance and operations purposes and \$0 for the payment of principal and interest on unlimited tax bonds. No property taxes specific to Defined Area #2 have been levied since Tax Year 2023.

As of March 31, 2026 the District had collected approximately 95.12% of property taxes levied in Tax Year 2025. More information regarding maintenance and operations property tax collections since Tax Year 2023 can be found in the final copy of the Annual Financial Report of the District for the year ended June 30, 2025 attached as Appendix A hereto.

Defined Area #2 Tax Roll Information

The Defined Area #2 appraised value as of January 1 of each year will be used by the District in establishing the Defined Area #2 road debt service tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.”

	2025	2024	2023
Land	\$ 14,633,236	\$ 14,231,236	\$ 16,322,316
Improvements	28,891,192	1,080	-
Personal Property	-	-	-
Minerals	1,200,268	1,561,393	-
Exemptions	(761,025)	(1,809)	-
Net Taxable Assessed Valuation	\$ 43,963,671	\$ 15,791,900	\$ 16,322,316

As of Tax Year 2026, the Central Appraisal District of Johnson County reports a preliminary taxable assessed valuation within Defined Area #2 of \$64,481,110. Such preliminary taxable assessed valuation is mostly comprised of homes and developed single-family lots. No taxes will be levied on this amount, the certification of Tax Year 2026 taxable appraised values will occur on or before July 25, 2026.

Defined Area #2 Principal Taxpayers

Based on the 2025 tax rolls, the top three taxpayers are responsible for approximately 33.87% of the District's 2025 taxes and the top ten taxpayers within the District make up approximately 41.02% of the District's tax base for 2025. See “THE DEFINED AREA #2 DEVELOPER AND HOMEBUILDERS.”

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable appraised value as a percentage of the 2025 Certified Net Taxable Assessed Valuation of \$43,963,671

Name of Taxpayer	Nature of Property	2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
LGI Homes Texas LLC	Real Estate/Development	\$ 7,944,276	18.07%
Cresson Ventures LLC	Real Estate/Development	4,375,413	9.95%
DR Horton Texas LTD	Real Estate/Development	2,570,556	5.85%
UPP Operating LLC	Real Estate	875,396	1.99%
National Home Corporation	Real Estate	450,000	1.02%
Chandler Joshua ETUX	Residence	401,480	0.91%
Robertson Willie L Jr	Residence	400,724	0.91%
Olivera Carlos Luis Leon ETUX	Residence	339,020	0.77%
Marstiller Ronda Ball Etvir James	Residence	339,020	0.77%
Castillo Yanira	Residence	339,020	0.77%
		\$ 18,034,905	41.02%

Defined Area #2 Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in Defined Area #2's tax base occurred beyond the Defined Area #2 2025 Certified Net Taxable Assessed Valuation of \$43,963,671 or the Defined Area #2 2026 Preliminary Net Taxable Assessed Valuation of \$64,481,110. The calculations contained in the following table merely represent the tax rates required to pay debt service on the Bonds, when due, assuming no further increase or any decrease in taxable values in Defined Area #2, collection of ninety five percent (95%) of taxes levied, the sale of no additional bonds, either District-wide or Defined Area #2, and no other funds available for the payment of Defined Area #2 combined unlimited tax debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Annual Debt Service Requirement (2026)	\$ 209,430
Average Annual Debt Service Requirement (2027-2056)	\$ 685,378
Maximum Annual Debt Service Requirement (2056)	\$ 712,300

Based upon the Defined Area #2 Tax Year 2025 Certified Net Taxable Assessed Valuation

Tax Rate Required to Pay Annual Debt Service Requirement (2026)	\$ 0.5014
Tax Rate Required to Pay Average Annual Debt Service Requirement (2027-2056)	\$ 1.6410
Tax Rate Required to Pay Maximum Annual Debt Service Requirement (2056)	\$ 1.7055

Based upon the Defined Area #2 Preliminary 2026 Net Taxable Assessed Valuation

Tax Rate Required to Pay Average Annual Debt Service Requirement (2027-2056)	\$ 1.1189
Tax Rate Required to Pay Maximum Annual Debt Service Requirement (2056)	\$ 1.1628

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within Defined Area #2 of the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional Defined Area #2 road bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District, including Defined Area #2, in an amount sufficient to pay the principal of and interest on any future road bonds or utility bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS—Future Debt.” The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under “THE BONDS—Sources of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA.”

Property Tax Code and County-Wide Appraisal Districts

The Texas Property Tax Code (the “Property Tax Code”) requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Hood County Appraisal District, the Central Appraisal District of Johnson County and the Parker County Appraisal District (the “Appraisal Districts”) have the responsibility for appraising property for all taxing units within their respective counties, including the sections of the District within the boundaries of the respective county. The appraisal of property within Defined Area #2 falls under the responsibility of the Central Appraisal District of Johnson County. Such appraisal values are subject to review and change by the respective Appraisal Districts Review Boards (the “Appraisal Review Boards”). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board(s) by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal rolls, as prepared by the Appraisal Districts and approved by the Appraisal Review Boards, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within the respective counties, to participate in the nomination of and vote for a member of the Board of Supervisors of the respective appraisal district.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain property owned by qualified organizations engaged primarily in charitable purposes, residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District has not adopted 65 and older or disabled exemptions, whether District-

wide or within Defined Area #2. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% and, subject to certain conditions, the surviving spouse of such a veteran, is entitled to an exemption for the full amount 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. In addition, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who 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.

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken no official action to allow taxation of all such goods-in-transit personal property.

General Residential Homestead Exemption

The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has not granted a general residential homestead exemption, whether District-wide or within Defined Area #2.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Boards by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code 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.

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 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 an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations 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 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 maintenance and operations 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 or the President (herein defined), 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 maintenance and operations tax threshold applicable to Special Taxing Units.

Developing Districts

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

For the 2025 tax year, the District and Defined Area #2 are each designated as a Developing District. For future years, a determination as to the District's and Defined Area #2's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District or Defined Area #2 into a new classification and new election calculation.

Agricultural, Open Space, or Timberland Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who could continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use and five (5) years for timberland or open space land prior to the loss of the designation.

Tax Abatement

Hood County, Johnson County and/or Parker County may designate all or part of the District as a reinvestment zone, and the District and the counties may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the levy of its taxes. The District has contracted with the Johnson County Tax Assessor Collector for collection services in Defined Area #2. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. 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 with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt and Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax

lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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 except as described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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 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 Limitations and Foreclosure Remedies.”

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property solely within Defined Area #2 of the District. The District will also furnish the approving legal opinion of Coats Rose, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Certain legal matters will be passed upon for the District by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under “TAX MATTERS,” including the alternative minimum tax on corporations.

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

Legal Review

In its capacity as Bond Counsel, Coats Rose, P.C. has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS,” “THE DEFINED AREAS,” “MANAGEMENT OF THE DISTRICT—District Consultants—Bond and General Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS (insofar as it relates to the opinion of Bond Counsel),” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION (except for the subheading “Compliance with Prior Undertakings”)” solely to determine whether such information fairly summarizes the law referred to therein. In its capacity as General Counsel to the District, Coats Rose, P.C. has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS—Annexation,” “—Consolidation,” “THE DISTRICT—General,” “THE WATER, WASTEWATER AND DRAINAGE SYSTEM” and “THE ROAD SYSTEM” solely to determine whether such sections fairly summarize the matters contained therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for

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

TAX MATTERS

Opinion

Coats Rose, P.C., Dallas, Texas, Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See APPENDIX C – Form of Bond Counsel's Opinion.

Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The Issuer has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the Issuer relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the Issuer.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the "Service"). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service's view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the Issuer as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the Issuer might have different or conflicting interests from those of the owners of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Orders subsequent to the issuance of the Bonds. The Orders contain covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Original Issue Discount

Certain of the Bonds (the “Discount Bonds”) may be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity (“Bond Premium”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences Summary

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. PROSPECTIVE 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, owners 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 tax exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner 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 of the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Changes in Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

NO-LITIGATION CERTIFICATE

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

NO MATERIAL ADVERSE CHANGE

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

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 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 except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Municipal Advisor

Hilltop Securities Inc., is employed as the Municipal Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Municipal Advisor, Hilltop Securities Inc., has compiled and edited this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

Consultants

Appraisal District: The information contained in this Official Statement relating to the taxable assessed value within Defined Area #2 of the District and the Defined Area #2 principal taxpayers, has been provided by the Central Appraisal District of Johnson County and is included herein in reliance upon the authority of such acting as an expert in assessing property values.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the District's road system and water and wastewater system and, in particular that information included in the sections entitled "THE DISTRICT," "THE ROAD SYSTEM," and "THE WATER, WASTEWATER AND DRAINAGE SYSTEM" has been provided by Kimley-Horn, Frisco, Texas and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Bookkeeper: The information related to the "unaudited" fund balances and tax collections has been provided by Dye & Toverly, LLC and is included herein in reliance upon the authority of such company as experts in the tracking and managing the various funds of municipal utility districts.

Auditor: The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, to prepare the District's audited financial statements for the year ended June 30, 2025. A final copy of the Annual Financial Report of the District for the year ended June 30, 2025 is attached as Appendix A hereto. The draft financial statements have not been approved by the District's Board of Directors.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB") pursuant to its Electronic Municipal Market Access System ("EMMA"). This information will be available to securities brokers and others through the MSRB at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data annually. The financial information and operating data which will be provided is found in the sections titled "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" (except the information under the heading "-- Estimated Overlapping Debt and Taxes"), "TAX DATA" and "APPENDIX A – Annual Financial Report of the District." The District will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2026. The District will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. To facilitate the District's ability to provide financial information and operating data, the Developer has agreed to provide information needed by the District to comply with the Rule.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements. If audited financial statements are not available by the required time, the District will provide unaudited financial information by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles the District may be required to employ from time to time pursuant to State law or regulation.

The District's fiscal year end is June 30. Accordingly, audited financial statements must be provided by December 31 of each year (or unaudited financial statements if audited financial statements are not available), unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, and (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, 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. 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 financial information, operating data, or financial statements in accordance with its agreement described above under Annual Reports.

Availability of Information from the MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an Initial Purchaser 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 a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission 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 reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has been in compliance in all material aspects with its previous continuing disclosure undertaking.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

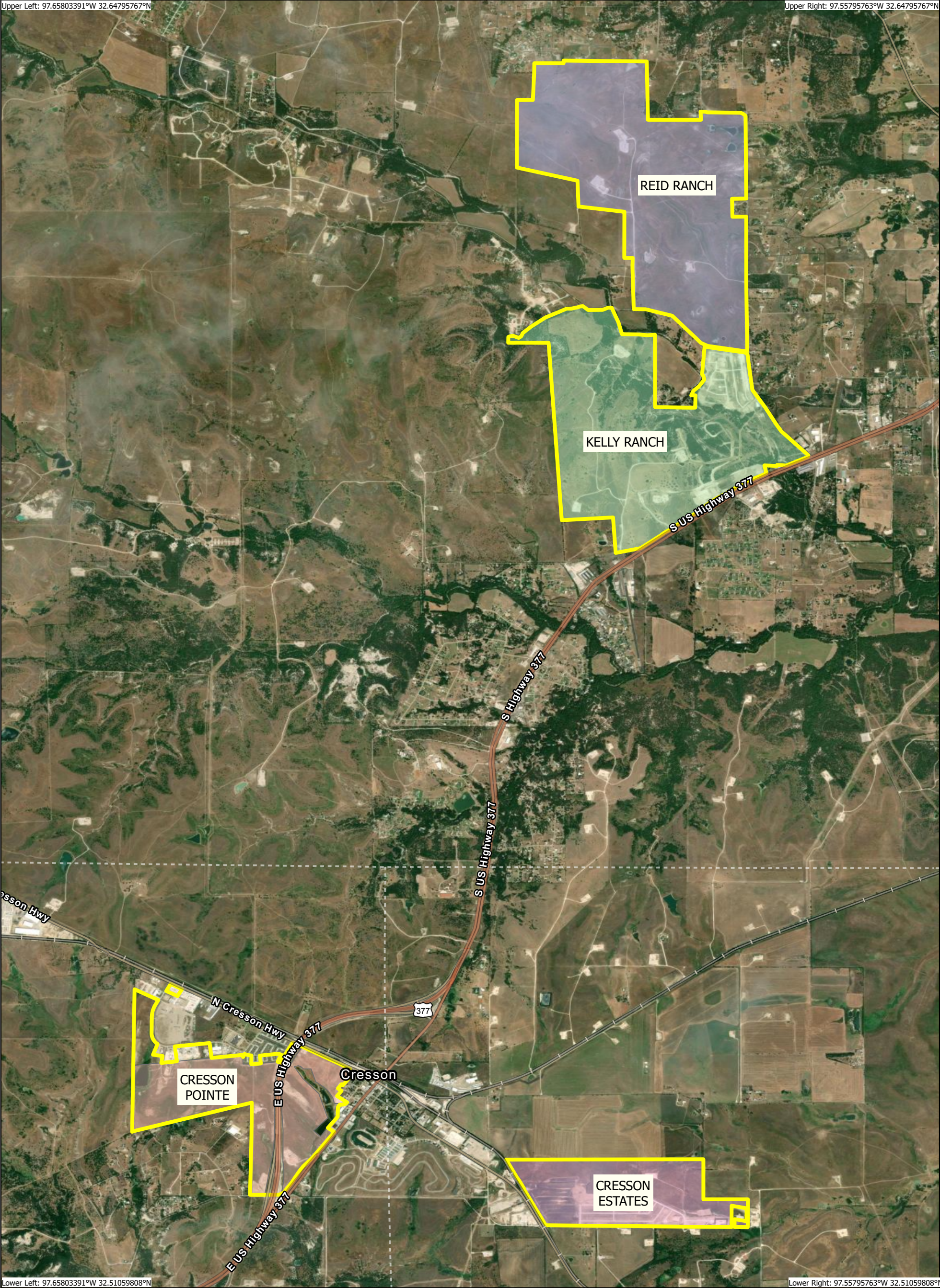
This Official Statement was approved by the Board of Directors of Cresson Crossroads Municipal Utility District No. 2, as of the date shown on the first page hereof.

/s/ Bill Cherry
President, Board of Directors

ATTEST:

/s/ John Sanford
Secretary, Board of Directors

**DISTRICT LOCATION MAP
(INCLUDING DEFINED AREA #2)
CRESSON ESTATES**



00.410.821.65 Miles

Scale: 1:43,000

Legend

- CRESSON ESTATES
- CRESSON POINTE
- KELLY RANCH
- REID RANCH
- CCMUD #2

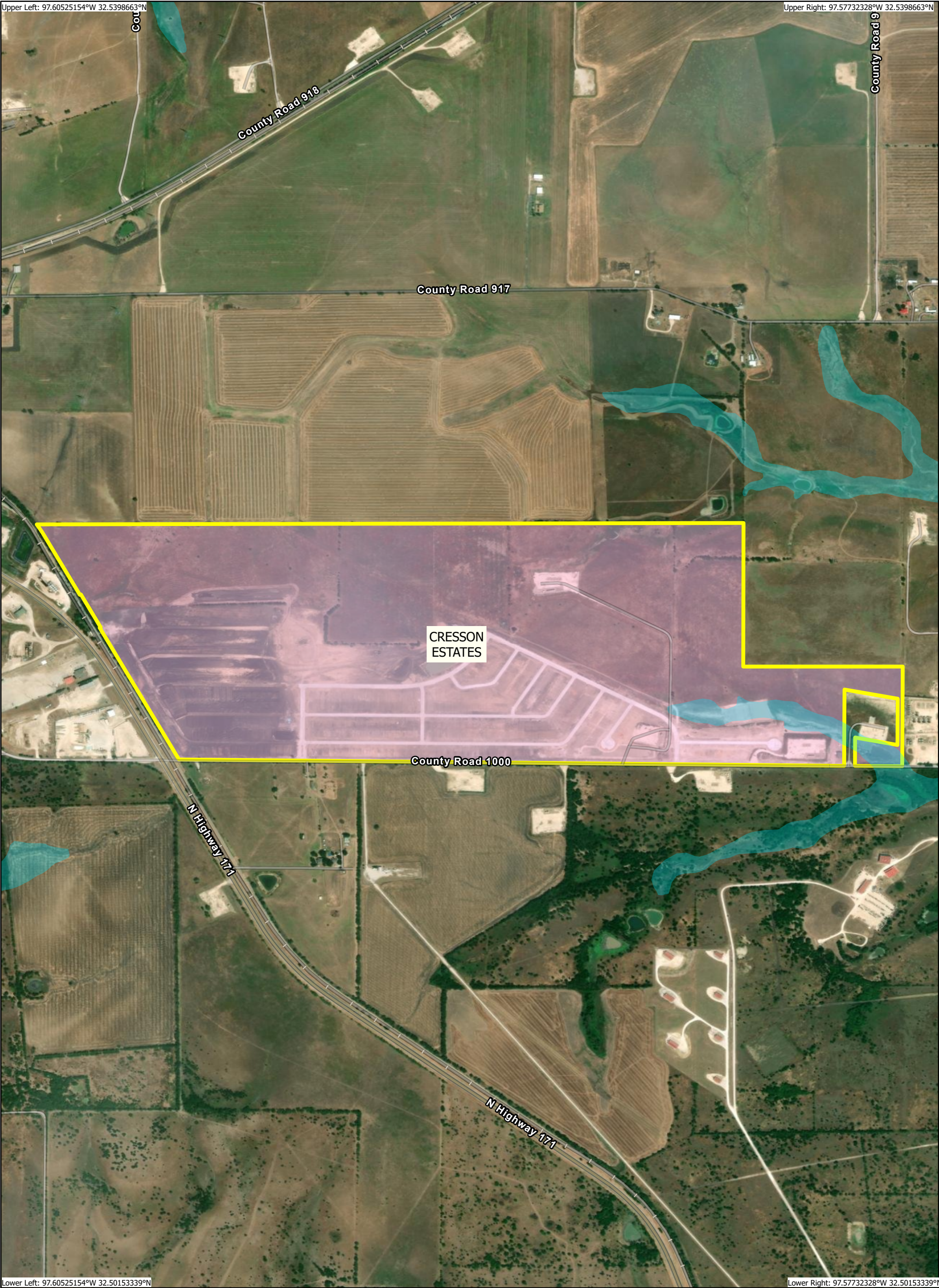


CRESSON CROSSROADS MUD #2

CCMUD #2
BOUNDARY MAP

Service Credits: Baylor University, Texas Parks & Wildlife, CONANP, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, USDA, USFWS, Maxar





0 0.12 0.23 0.46 Miles

Scale: 1:12,000

Legend

- 1% Annual Chance Flood Hazard
- CRESSON ESTATES
- CRESSON POINTE
- KELLY RANCH
- REID RANCH
- CCMUD #2



CRESSON CROSSROADS MUD #2

CRESSON ESTATES
BOUNDARY MAP

Service Credits: Esri Community Maps Contributors, Baylor University, Texas Parks & Wildlife, CONANP, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA, USFWS, Maxar



PHOTOGRAPHS OF DEFINED AREA #2 OF THE DISTRICT

Photographs Taken within Cresson Estates









APPENDIX A

Annual Financial Report of the District for the year ended June 30, 2025

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2

HOOD, JOHNSON AND PARKER COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cresson Crossroads Municipal Utility District No. 2
Hood, Johnson and Parker Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cresson Crossroads Municipal Utility District No. 2 (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Cresson Crossroads Municipal Utility District No. 2

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

October 16, 2025

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025

Management's discussion and analysis of Cresson Crossroads Municipal Utility District No. 2's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes for the Defined Area No. 2 and Defined Area No. 3. The Capital Project Fund accounts for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs in the Defined Area No. 2 and Defined Area No. 3.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,317,982 as of June 30, 2025. A portion of the District's net position reflects its net investment in capital assets (e.g. water and wastewater systems, buildings, and paving less any debt used to acquire those assets that is still outstanding).

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a comparative analysis of the government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 1,527,971	\$ 838,392	\$ 689,579
Capital Assets (Net of Accumulated Depreciation)	<u>31,734,576</u>	<u>26,469,071</u>	<u>5,265,505</u>
Total Assets	<u>\$ 33,262,547</u>	<u>\$ 27,307,463</u>	<u>\$ 5,955,084</u>
Due to Developer	\$ 28,011,708	\$ 24,202,657	\$ (3,809,051)
Long -Term Liabilities	5,978,580	3,226,095	(2,752,485)
Other Liabilities	<u>590,241</u>	<u>342,958</u>	<u>(247,283)</u>
Total Liabilities	<u>\$ 34,580,529</u>	<u>\$ 27,771,710</u>	<u>\$ (6,808,819)</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,939,283)	\$ (930,657)	\$ (1,008,626)
Restricted	359,390	194,805	164,585
Unrestricted	<u>261,911</u>	<u>271,605</u>	<u>(9,694)</u>
Total Net Position	<u><u>\$ (1,317,982)</u></u>	<u><u>\$ (464,247)</u></u>	<u><u>\$ (853,735)</u></u>

The following table provides a summary of the District's operations for the fiscal years ending June 30, 2025, and June 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 753,515	\$ 118,010	\$ 635,505
Charges for Services	555,504	271,225	284,279
Other Revenues	<u>688,893</u>	<u>1,410,318</u>	<u>(721,425)</u>
Total Revenues	<u>\$ 1,997,912</u>	<u>\$ 1,799,553</u>	<u>\$ 198,359</u>
Expenses for Services	<u>2,851,647</u>	<u>1,575,055</u>	<u>(1,276,592)</u>
Change in Net Position	\$ (853,735)	\$ 224,498	\$ (1,078,233)
Net Position, Inception	<u>(464,247)</u>	<u>(688,745)</u>	<u>224,498</u>
Net Position, Ending	<u><u>\$ (1,317,982)</u></u>	<u><u>\$ (464,247)</u></u>	<u><u>\$ (853,735)</u></u>

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2025, was \$1,040,240, an increase of \$510,641 from the prior year.

The General Fund fund balance increased by \$251,724, primarily due to property tax revenues, water service, and connection fees exceeding operating and capital costs during the year, as well as a transfer to the Debt Service Fund.

The Debt Service Fund fund balance increased by \$243,311, due to proceeds from the District's Series 2024 Defined Area No. 3 Road Bonds, a transfer from the General Fund, and the structure of the District's outstanding debt requirements.

The Capital Projects Fund fund balance increased by \$15,606. The District sold its Series 2024 Defined Area No. 3 Road Bonds and reimbursed the developer.

CAPITAL ASSETS

Capital assets as of June 30, 2025 total \$31,734,576 (net of accumulated depreciation) and include water and wastewater facilities and buildings which the District will be responsible for maintaining. Additional information on the District's capital assets can be found on Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$	\$ 840,520	\$ (840,520)
Capital Assets, Net of Accumulated Depreciation:			
Water System	16,751,457	16,745,912	5,545
Wastewater System	8,718,037	5,928,504	2,789,533
Buildings	282,034	290,848	(8,814)
Paving	5,983,048	2,663,287	3,319,761
Total Net Capital Assets	<u>\$ 31,734,576</u>	<u>\$ 26,469,071</u>	<u>\$ 5,265,505</u>

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

LONG-TERM DEBT

At the end of the current fiscal year, the District had long-term debt payable of \$6,010,000. The changes in the debt position of the District during the fiscal year ended June 30, 2025, are summarized as follows:

Bond Debt Payable, July 1, 2024	\$ 3,240,000
Add: Bond Sale	<u>2,770,000</u>
Bond Debt Payable, June 30, 2025	<u><u>\$ 6,010,000</u></u>

The District's Defined Area No. 2 and Defined Area No. 3 Series 2024 road bonds were not rated.

As of June 30, 2025, the District recorded an amount due to Developer of \$28,011,708 which consists of payments for operating advances made by the Developer as well as expenditures made on behalf of the District for water and wastewater facilities for which the District has not sold bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. The District did not amend the budget during the current year. Actual revenues were \$1,876,068 less than budgeted, actual expenditures were \$66,135 more than budgeted expenditures, and actual other financing sources were \$138,812 less than budgeted other financing sources resulting in a negative variance of \$2,081,015. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cresson Crossroads Municipal Utility District No. 2, c/o Coats Rose, P.C., Attn: Mindy L. Koehne, 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 89,580	\$ 494
Investments	799,680	478,378
Receivables:		
Property Taxes	10,381	
Service Accounts	81,088	
Prepaid Costs	23,125	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 1,003,854</u>	<u>\$ 478,872</u>
LIABILITIES		
Accounts Payable	\$ 404,344	\$
Accrued Interest Payable		
Due to Developers		
Security Deposits	65,800	
Accrued Interest at Time of Sale		6,591
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 470,144</u>	<u>\$ 6,591</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 10,381</u>	<u>\$ -0-</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 23,125	\$
Restricted for Authorized Construction		
Restricted for Debt Service		472,281
Unassigned	500,204	
TOTAL FUND BALANCES	<u>\$ 523,329</u>	<u>\$ 472,281</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,003,854</u>	<u>\$ 478,872</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 193	\$ 90,267	\$	\$ 90,267
45,052	1,323,110		1,323,110
	10,381		10,381
	81,088		81,088
	23,125		23,125
		31,734,576	31,734,576
<u>\$ 45,245</u>	<u>\$ 1,527,971</u>	<u>\$ 31,734,576</u>	<u>\$ 33,262,547</u>
\$ 615	\$ 404,959	\$	\$ 404,959
		119,482	119,482
		28,011,708	28,011,708
	65,800		65,800
	6,591	(6,591)	
		5,978,580	5,978,580
<u>\$ 615</u>	<u>\$ 477,350</u>	<u>\$ 34,103,179</u>	<u>\$ 34,580,529</u>
<u>\$ -0-</u>	<u>\$ 10,381</u>	<u>\$ (10,381)</u>	<u>\$ -0-</u>
\$	\$ 23,125	\$ (23,125)	\$
44,630	44,630	(44,630)	
	472,281	(472,281)	
	500,204	(500,204)	
<u>\$ 44,630</u>	<u>\$ 1,040,240</u>	<u>\$ (1,040,240)</u>	<u>\$ - 0 -</u>
<u>\$ 45,245</u>	<u>\$ 1,527,971</u>		
		\$ (1,939,283)	\$ (1,939,283)
		359,390	359,390
		261,911	261,911
		<u>\$ (1,317,982)</u>	<u>\$ (1,317,982)</u>

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

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds	\$	1,040,240
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		31,734,576
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 became part of recognized revenue in the governmental activities of the District.		10,381
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	\$ (28,011,708)	
Accrued Interest Payable	(112,891)	
Bonds Payable After One Year	<u>(5,978,580)</u>	<u>(34,103,179)</u>

Total Net Position - Governmental Activities	\$	<u>(1,317,982)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 743,134	\$
Water Service	325,626	
Wastewater Service	229,878	
Connection Fees	641,096	
Investment and Miscellaneous Revenues	46,867	12,574
TOTAL REVENUES	\$ 1,986,601	\$ 12,574
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 539,417	\$
Contracted Services	478,874	3,647
Utilities	168,004	
Conservation District Fees	8,787	
Repairs and Maintenance	241,764	
Depreciation		
Other	159,219	
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Interest		149,253
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 1,596,065	\$ 152,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 390,536	\$ (140,326)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (154,430)	\$ 154,430
Long-Term Debt Issued		229,207
Bond Discount		
Bond Premium		
Developer Advances	15,618	
TOTAL OTHER FINANCING SOURCES (USES)	\$ (138,812)	\$ 383,637
NET CHANGE IN FUND BALANCES	\$ 251,724	\$ 243,311
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2024	271,605	228,970
FUND BALANCES/NET POSITION - JUNE 30, 2025	\$ 523,329	\$ 472,281

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 743,134	\$ 10,381	\$ 753,515
	325,626		325,626
	229,878		229,878
	641,096		641,096
1,830	61,271	(13,474)	47,797
<u>\$ 1,830</u>	<u>\$ 2,001,005</u>	<u>\$ (3,093)</u>	<u>\$ 1,997,912</u>
\$	\$ 539,417	\$	\$ 539,417
	482,521		482,521
	168,004		168,004
	8,787		8,787
	241,764		241,764
		759,178	759,178
400	159,619		159,619
2,244,723	2,244,723	(2,244,723)	
8,274	8,274		8,274
	149,253	79,510	228,763
255,320	255,320		255,320
<u>\$ 2,508,717</u>	<u>\$ 4,257,682</u>	<u>\$ (1,406,035)</u>	<u>\$ 2,851,647</u>
\$ (2,506,887)	\$ (2,256,677)	\$ 1,402,942	\$ (853,735)
\$	\$	\$	\$
2,540,793	2,770,000	(2,770,000)	
(36,413)	(36,413)	36,413	
18,113	18,113	(18,113)	
	15,618	(15,618)	
<u>\$ 2,522,493</u>	<u>\$ 2,767,318</u>	<u>\$ (2,767,318)</u>	<u>\$ - 0 -</u>
\$ 15,606	\$ 510,641	\$ (510,641)	\$
		(853,735)	(853,735)
29,024	529,599	(993,846)	(464,247)
<u>\$ 44,630</u>	<u>\$ 1,040,240</u>	<u>\$ (2,358,222)</u>	<u>\$ (1,317,982)</u>

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

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Governmental Funds	\$ 510,641
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	10,381
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated, and the depreciation expense is recorded in the Statement of Activities.	(759,178)
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Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases.	2,231,249
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Governmental funds report bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the Statement of Net Position, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	18,300
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(79,510)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(2,770,000)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	(15,618)
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Change in Net Position - Governmental Activities	\$ <u>(853,735)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. CREATION OF DISTRICT

The City of Cresson adopted an Ordinance in December 2016 that approved a petition requesting consent to the creation of Cresson Crossroads Municipal Utility District No. 2, then located entirely within the corporate limits of the City of Cresson. The District was subsequently created by special act of the 85th Texas Legislature, effective June 9, 2017, codified as Chapter 7968, Texas Special District Local Laws Code. The District thereafter added various properties and as of June 30, 2025 comprises 3,234.94 acres, located partially within the corporate limits of the City of Cresson, within the City of Cresson's extraterritorial jurisdiction, partially outside of the City of Cresson's corporate limits and extraterritorial jurisdiction within unincorporated Parker County, and also partially located in Hood and Johnson Counties. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The temporary Board of Directors held its first meeting on January 29, 2018. The District was confirmed by voters of the District on May 5, 2018 and May 4, 2019. On August 17, 2022, by an Order of the Board of Directors of the District which was subsequently amended on December 20, 2023, the District created three defined areas within the District pursuant to Subchapter J, Chapter 54, Texas Water Code.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

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

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current period revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund – To account for resources not accounted for in another fund, property tax revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes for the Defined Area No. 2 and Defined Area No. 3.

Capital Projects Fund - To account for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs in the Defined Area No. 2 and Defined Area No. 3.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the period and taxes collected after year-end, which were considered available to defray the expenditures of the current period. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current year, the General Fund transferred \$154,430 to the Debt Service Fund to help cover debt service on the outstanding bonds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide

Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

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

Pensions

A pension plan has not been established. The District has one employee, a General Manager. The Internal Revenue Service has also determined that directors are considered "employees" for federal payroll tax purposes only. Payments are made into the social security system for the General Manager and the directors.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Defined Area No. 2 Series 2024 – Road	Defined Area No. 3 Series 2024 – Road
Amount Outstanding – June 30, 2025	\$ 3,240,000	\$ 2,770,000
Interest Rates	4.00% - 5.00%	4.625% - 6.625%
Maturity Dates – Serially Beginning/Ending	September 15, 2026/2054	September 15, 2027/2054
Interest Payment Dates	September 15/ March 15	September 15/ March 15
Callable Dates	September 15, 2033*	September 15, 2034*

- * Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Defined Area No. 2 Series 2024 road bond issue, the bonds maturing September 15, 2037, 2039, 2041, 2043, 2049, and 2054 are term bonds and are subject to mandatory redemption beginning September 15, 2036, 2038, 2040, 2042, 2044, and 2050, respectively. For the Defined Area No. 3 Series 2024 road bond issue, the bonds maturing September 15, 2047 and 2054, are term bonds and are subject to mandatory redemption beginning September 15, 2031 and September 15, 2048.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. LONG-TERM DEBT (Continued)

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

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	\$ 3,240,000	\$ 2,770,000	\$	\$ 6,010,000
Unamortized Discounts	(13,905)	(36,413)	(1,107)	(49,211)
Unamortized Premiums		18,113	322	17,791
Bonds Payable, Net	<u>\$ 3,226,095</u>	<u>\$ 2,751,700</u>	<u>\$ (785)</u>	<u>\$ 5,978,580</u>
Amount Due Within One Year				\$ -0-
Amount Due After One Year				<u>5,978,580</u>
Bonds Payable, Net				<u><u>\$ 5,978,580</u></u>

As of June 30, 2025, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$	\$ 317,730	\$ 317,730
2027	55,000	285,142	340,142
2028	105,000	281,352	386,352
2029	105,000	275,971	380,971
2030	110,000	270,489	380,489
2031-2035	645,000	1,266,965	1,911,965
2036-2040	825,000	1,101,479	1,926,479
2041-2045	1,040,000	883,643	1,923,643
2046-2050	1,365,000	595,858	1,960,858
2051-2055	1,760,000	220,906	1,980,906
	<u>\$ 6,010,000</u>	<u>\$ 5,499,535</u>	<u>\$ 11,509,535</u>

At an election May 4, 2019, voters of the District approved bonds in the amount of \$49,200,000 for the purchase or construction of water, sewer and drainage facilities and \$61,500,000 for the refunding of such bonds, and \$41,500,000 for the purchase or construction of road facilities and \$51,875,000 for the refunding of such bonds. All authorized bonds remain unissued as of June 30, 2025.

At an election May 6, 2023, voters of the District approved bonds for Defined Area No. 1 in the amount of \$90,425,000 for the purchase or construction of water, sewer and drainage facilities and \$113,031,250 for the refunding of such bonds, and \$40,795,000 for the purchase or construction of road facilities and \$50,993,750 for the refunding of such bonds. All authorized bonds remain unissued as of June 30, 2025.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. LONG-TERM DEBT (Continued)

At an election May 6, 2023, voters of the District approved bonds for Defined Area No. 2 in the amount of \$66,955,000 for the purchase or construction of water, sewer and drainage facilities and \$83,693,750 for the refunding of such bonds, and \$25,160,000 for the purchase or construction of road facilities and \$31,450,000 for the refunding of such bonds. During the prior fiscal year, the District issued \$3,240,000 in Defined Area No. 2 road bonds.

At an election May 4, 2024, voters of the District approved bonds for Defined Area No. 3 in the amount of \$134,645,000 for the purchase or construction of water, sewer and drainage facilities and \$168,306,250 for the refunding of such bonds, and \$148,245,000 for the purchase or construction of road facilities and \$185,306,250 for the refunding of such bonds. During the current fiscal year, the District issued \$2,770,000 in Defined Area No. 3 road bonds.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$90,267 and the bank balance was \$234,656.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position as of June 30, 2025, as listed below:

	Cash
GENERAL FUND	\$ 89,580
DEBT SERVICE FUND	494
CAPITAL PROJECTS FUND	193
TOTAL DEPOSITS	<u>\$ 90,267</u>

Investments

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

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

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	\$ 799,680	\$ 799,680
<u>DEBT SERVICE FUND</u>		
LOGIC	478,378	478,378
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	45,052	45,052
TOTAL INVESTMENTS	<u>\$ 1,323,110</u>	<u>\$ 1,323,110</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2025, the District's investments in LOGIC was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in LOGIC to have maturities of less than one year due to the fact that the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in values.

Restrictions

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

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, is summarized in the following table:

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 840,520	\$ 6,024,683	\$ 6,865,203	\$ - 0 -
Capital Assets Subject to Depreciation				
Water System	\$ 17,414,495	\$ 442,871	\$	\$ 17,857,366
Wastewater System	6,240,531	2,953,435		9,193,966
Buildings	308,475			308,475
Paving	2,691,732	3,468,897		6,160,629
Total Capital Assets Subject to Depreciation	\$ 26,655,233	\$ 6,865,203	\$ - 0 -	\$ 33,520,436
Accumulated Depreciation				
Water System	\$ 668,583	\$ 437,326	\$	\$ 1,105,909
Wastewater System	312,027	163,902		475,929
Buildings	17,627	8,814		26,441
Paving	28,445	149,136		177,581
Total Accumulated Depreciation	\$ 1,026,682	\$ 759,178	\$ - 0 -	\$ 1,785,860
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 25,628,551	\$ 6,106,025	\$ - 0 -	\$ 31,734,576
Total Capital Assets, Net of Accumulated Depreciation	\$ 26,469,071	\$ 12,130,708	\$ 6,865,203	\$ 31,734,576

NOTE 7. MAINTENANCE TAX

On May 4, 2019, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$576,605 on the adjusted taxable valuation of \$57,660,460 for the 2024 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with the Developers within the District which provides for the Developers to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developers for these costs from future bond issues to the extent approved by the Commission.

The District has recorded a liability to the Developers of \$28,011,708, of which \$271,799 is for operating advances received as of June 30, 2025. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developers. The following table summarizes the current year activity related to unreimbursed Developer project costs and operating advances:

Due to Developers, beginning of year	\$ 24,202,657
Additions	6,053,774
Current year reimbursements	<u>2,244,723</u>
Due to Developers, end of year	<u>\$ 28,011,708</u>

NOTE 9. ECONOMIC DEPENDENCY

The District's Developers own a substantial portion of the taxable property within the District. The Developers ability to make full and timely payments of taxes and provide operating advances, if needed, could directly affect the District's ability to meet its financial obligations.

NOTE 10. WASTEWATER TREATMENT FACILITIES

On June 22, 2022, the District executed an Amended and Restated Facilities Improvement Agreement ("FIA") with a developer ("developer") and the City of Cresson, Texas ("City"). The District will provide the City with either wholesale wastewater treatment service or retail wastewater treatment service, and if the District provides the City with solely wholesale wastewater treatment service, the City will provide its customers with retail wastewater treatment services. Construction of the Wastewater Treatment Plant ("WWTP") is substantially complete as of June 30, 2025.

The WWTP, as improved and expanded, has been constructed on property owned by the City. Upon completion of the WWTP improvements, the City shall lease to the District the land upon which the WWTP is located. The City will have such capacity in the WWTP as is necessary to serve its existing wastewater customers, then 288 ESFCs as well as any platted lots to be provided retail wastewater service by the City, then 18 ESFCs. The City may purchase additional capacity upon payment of a connection charge and approval of available capacity.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10. WASTEWATER TREATMENT FACILITIES (Continued)

The District will provide retail wastewater treatment services to its own customers. The District will provide the City with wholesale wastewater treatment service, and the City will provide its customers with retail wastewater treatment services. Terms of the services will be set by additional agreements currently under negotiation. The FIA has a term of 30 years unless otherwise extended or terminated pursuant to agreement among the parties thereto.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the last three years.

NOTE 12. BOND SALE

On December 19, 2024, the District issued \$2,770,000 of Defined Area No. 3 Unlimited Tax Road Bonds, Series 2024. Proceeds from the bonds were used to reimburse the Developer for costs associated with the Sierra Vista Phase I Paving. Additional proceeds were used to fund twenty-one months of capitalized interest and to pay issuance costs of the bonds.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 303,929	\$ 743,134	\$ 439,205
Water Service	380,694	325,626	(55,068)
Wastewater Service	135,072	229,878	94,806
Connection Fees	3,008,860	641,096	(2,367,764)
Investment and Miscellaneous Revenues	34,114	46,867	12,753
TOTAL REVENUES	<u>\$ 3,862,669</u>	<u>\$ 1,986,601</u>	<u>\$ (1,876,068)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 348,000	\$ 539,417	\$ (191,417)
Contracted Services	367,346	478,874	(111,528)
Utilities	143,400	168,004	(24,604)
Conservation District Fees	14,000	8,787	5,213
Repairs and Maintenance	367,020	241,764	125,256
Other	290,164	159,219	130,945
TOTAL EXPENDITURES	<u>\$ 1,529,930</u>	<u>\$ 1,596,065</u>	<u>\$ (66,135)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,332,739</u>	<u>\$ 390,536</u>	<u>\$ (1,942,203)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	\$	\$ (154,430)	\$ (154,430)
Developer Advances		15,618	15,618
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ (138,812)</u>	<u>\$ (138,812)</u>
NET CHANGE IN FUND BALANCE	\$ 2,332,739	\$ 251,724	\$ (2,081,015)
FUND BALANCE - JULY 1, 2024	<u>271,605</u>	<u>271,605</u>	<u></u>
FUND BALANCE - JUNE 30, 2025	<u>\$ 2,604,344</u>	<u>\$ 523,329</u>	<u>\$ (2,081,015)</u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2025

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

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

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

2. RETAIL SERVICE PROVIDERS: (Unaudited)

The City of Cresson and one developer provide water and wastewater services to District customers. As development progresses, water and wastewater services will be provided by The City of Cresson and the District.

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

Based on the rate order approved February 20, 2025.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$35.00	0,000	N	\$3.00	0,001 to 5,000
				\$6.00	5,001 to 15,000
				\$7.50	15,001 and up
WASTEWATER:	\$35.00	0,000	N	\$3.00	0,001 to 5,000
				\$6.00	5,001 to 15,000
				\$7.50	15,001 and up

District employs winter averaging for wastewater usage?	<u> </u>	<u> X </u>
	Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$80.00 Wastewater: \$80.00

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

2. RETAIL SERVICE PROVIDERS:

b. WATER AND WASTEWATER RETAIL CONNECTIONS:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>370</u>	<u>370</u>	x 1.0	<u>370</u>
1"	<u>10</u>	<u>10</u>	x 2.5	<u>25</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>10</u>	<u>10</u>	x 8.0	<u>80</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>391</u>	<u>391</u>		<u>480</u>
Total Wastewater Connections	<u>391</u>	<u>391</u>	x 1.0	<u>391</u>

3. TOTAL WATER CONSUMPTION DURING THE CURRENT YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Water Accountability Ratio:
Not available
(Gallons billed /Gallons pumped)

Gallons purchased: Not available

Gallons billed to customers: 36,055,193

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☐ No ☒

Counties in which District is located:

Hood County, Texas
Johnson County, Texas
Parker County, Texas

Is the District located within a city?

Entirely ☐ Partly ☒ Not at all ☐

City in which District is partially located:

Cresson, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

PROFESSIONAL FEES:	
Auditing	\$ 18,250
Engineering	238,672
Legal	<u>282,495</u>
TOTAL PROFESSIONAL FEES	<u>\$ 539,417</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 3,174
Bookkeeping	90,187
Operations and Billing	315,513
General Manager	<u>70,000</u>
TOTAL CONTRACTED SERVICES	<u>\$ 478,874</u>
UTILITIES	<u>\$ 168,004</u>
REPAIRS AND MAINTENANCE	<u>\$ 241,764</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 14,394
Insurance	31,151
Office Supplies and Postage	1,136
Travel and Meetings	3,770
Other	<u>34,444</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 84,895</u>
OTHER EXPENDITURES:	
Chemicals	\$ 26,127
Laboratory Fees	2,041
Permit Fees	3,924
Inspection Fees	42,232
Conservation District Fees	<u>8,787</u>
TOTAL OTHER EXPENDITURES	<u>\$ 83,111</u>
TOTAL EXPENDITURES	<u>\$ 1,596,065</u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX9001	Varies	Daily	\$ 799,680	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX9003	Varies	Daily	\$ 238,759	\$ - 0 -
LOGIC	XXXX9005	Varies	Daily	239,619	
TOTAL DEBT SERVICE FUND				\$ 478,378	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX9002	Varies	Daily	\$ 30,394	\$ - 0 -
LOGIC	XXXX9004	Varies	Daily	14,658	
TOTAL CAPITAL PROJECTS FUND				\$ 45,052	\$ - 0 -
TOTAL - ALL FUNDS				\$ 1,323,110	\$ - 0 -

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
JULY 1, 2024	\$ -0-	
Adjustments to Beginning		
Balance	<u>176,910</u>	\$ 176,910
Original 2024 Tax Levy	\$ 248,765	
Adjustment to 2024 Tax Levy	<u>327,840</u>	<u>576,605</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 753,515
TAX COLLECTIONS:		
Prior Years	\$ 176,910	
Current Year	<u>566,224</u>	<u>743,134</u>
TAXES RECEIVABLE -		
JUNE 30, 2025		<u>\$ 10,381</u>
TAXES RECEIVABLE BY		
YEAR:		
2024		<u><u>\$ 10,381</u></u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	<u>2024</u>	<u>2023</u>
TOTAL PROPERTY VALUATIONS	\$ <u>57,660,460</u>	\$ <u>11,800,980</u>
TAX RATES PER \$100 VALUATION:		
Maintenance	\$ <u>1.00</u>	<u>1.00</u>
ADJUSTED TAX LEVY*	\$ <u>576,605</u>	\$ <u>118,010</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.20 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on May 4, 2019.

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2025

DEFINED AREA NO. 2
 SERIES - 2024 ROAD

Due During Fiscal Years Ending June 30	Principal Due September 15	Interest Due September 15/ March 15	Total
2026	\$	\$ 154,430	\$ 154,430
2027	55,000	153,330	208,330
2028	60,000	151,030	211,030
2029	60,000	148,630	208,630
2030	65,000	146,130	211,130
2031	65,000	143,530	208,530
2032	70,000	140,795	210,795
2033	70,000	137,890	207,890
2034	75,000	134,808	209,808
2035	80,000	131,435	211,435
2036	80,000	127,875	207,875
2037	85,000	124,120	209,120
2038	90,000	120,095	210,095
2039	95,000	115,792	210,792
2040	100,000	111,210	211,210
2041	100,000	106,460	206,460
2042	105,000	101,540	206,540
2043	110,000	96,325	206,325
2044	120,000	90,690	210,690
2045	125,000	84,625	209,625
2046	130,000	78,250	208,250
2047	135,000	71,625	206,625
2048	145,000	64,625	209,625
2049	150,000	57,250	207,250
2050	160,000	49,500	209,500
2051	165,000	41,375	206,375
2052	175,000	32,875	207,875
2053	180,000	24,000	204,000
2054	190,000	14,750	204,750
2055	200,000	5,000	205,000
	<u>\$ 3,240,000</u>	<u>\$ 2,959,990</u>	<u>\$ 6,199,990</u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2025

DEFINED AREA NO. 3
 SERIES - 2024 ROAD

Due During Fiscal Years Ending June 30	Principal Due September 15	Interest Due September 15/ March 15	Total
2026	\$	\$ 163,300	\$ 163,300
2027		131,812	131,812
2028	45,000	130,322	175,322
2029	45,000	127,341	172,341
2030	45,000	124,359	169,359
2031	50,000	121,212	171,212
2032	55,000	118,284	173,284
2033	55,000	115,740	170,740
2034	60,000	113,081	173,081
2035	65,000	110,190	175,190
2036	65,000	107,184	172,184
2037	70,000	104,062	174,062
2038	75,000	100,708	175,708
2039	80,000	97,124	177,124
2040	85,000	93,309	178,309
2041	85,000	89,378	174,378
2042	90,000	85,331	175,331
2043	95,000	81,053	176,053
2044	100,000	76,544	176,544
2045	110,000	71,697	181,697
2046	115,000	66,484	181,484
2047	120,000	61,050	181,050
2048	130,000	55,269	185,269
2049	135,000	49,140	184,140
2050	145,000	42,665	187,665
2051	150,000	35,843	185,843
2052	160,000	28,675	188,675
2053	170,000	21,044	191,044
2054	180,000	12,950	192,950
2055	190,000	4,394	194,394
	<u>\$ 2,770,000</u>	<u>\$ 2,539,545</u>	<u>\$ 5,309,545</u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2025

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$	\$ 317,730	\$ 317,730
2027	55,000	285,142	340,142
2028	105,000	281,352	386,352
2029	105,000	275,971	380,971
2030	110,000	270,489	380,489
2031	115,000	264,742	379,742
2032	125,000	259,079	384,079
2033	125,000	253,630	378,630
2034	135,000	247,889	382,889
2035	145,000	241,625	386,625
2036	145,000	235,059	380,059
2037	155,000	228,182	383,182
2038	165,000	220,803	385,803
2039	175,000	212,916	387,916
2040	185,000	204,519	389,519
2041	185,000	195,838	380,838
2042	195,000	186,871	381,871
2043	205,000	177,378	382,378
2044	220,000	167,234	387,234
2045	235,000	156,322	391,322
2046	245,000	144,734	389,734
2047	255,000	132,675	387,675
2048	275,000	119,894	394,894
2049	285,000	106,390	391,390
2050	305,000	92,165	397,165
2051	315,000	77,218	392,218
2052	335,000	61,550	396,550
2053	350,000	45,044	395,044
2054	370,000	27,700	397,700
2055	390,000	9,394	399,394
	<u>\$ 6,010,000</u>	<u>\$ 5,499,535</u>	<u>\$ 11,509,535</u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024
Cresson Crossroads Municipal Utility District No. 2		
Defined Area No. 2 Unlimited Tax Road Bonds - Series 2024	\$ 3,240,000	\$ 3,240,000
Cresson Crossroads Municipal Utility District No. 2		
Defined Area No. 3 Unlimited Tax Road Bonds - Series 2024	<u>2,770,000</u>	
TOTAL	<u>\$ 6,010,000</u>	<u>\$ 3,240,000</u>

District Wide:

	Water, Sewer Drainage Bonds	Water, Sewer Drainage Bonds Refunding Bonds	Road Bonds	Road Refunding Bonds
Bond Authority:				
Amount Authorized by Voters	\$ 49,200,000	\$ 61,500,000	\$ 41,500,000	\$ 51,875,000
Amount Issued				
Remaining to be Issued	<u>\$ 49,200,000</u>	<u>\$ 61,500,000</u>	<u>\$ 41,500,000</u>	<u>\$ 51,875,000</u>

Defined Area No. 1:

	Water, Sewer Drainage Bonds	Water, Sewer Drainage Bonds Refunding Bonds	Road Bonds	Road Refunding Bonds
Bond Authority:				
Amount Authorized by Voters	\$ 90,425,000	\$ 113,031,250	\$ 40,795,000	\$ 50,993,750
Amount Issued				
Remaining to be Issued	<u>\$ 90,425,000</u>	<u>\$ 113,031,250</u>	<u>\$ 40,795,000</u>	<u>\$ 50,993,750</u>

Defined Area No. 2:

	Water, Sewer Drainage Bonds	Water, Sewer Drainage Bonds Refunding Bonds	Road Bonds	Road Refunding Bonds
Bond Authority:				
Amount Authorized by Voters	\$ 66,955,000	\$ 83,693,750	\$ 25,160,000	\$ 31,450,000
Amount Issued			<u>3,240,000</u>	
Remaining to be Issued	<u>\$ 66,955,000</u>	<u>\$ 83,693,750</u>	<u>\$ 21,920,000</u>	<u>\$ 31,450,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding June 30, 2025	Paying Agent
	Principal	Interest		
\$	\$	\$ 149,253	\$ 3,240,000	UMB Bank, NA Dallas, TX
<u>2,770,000</u>			<u>2,770,000</u>	UMB Bank, NA Dallas, TX
<u>\$ 2,770,000</u>	<u>\$ - 0 -</u>	<u>\$ 149,253</u>	<u>\$ 6,010,000</u>	

Defined Area No. 3:

Bond Authority:	Water, Sewer Drainage Bonds	Water, Sewer Drainage Bonds Refunding Bonds	Road Bonds	Road Refunding Bonds
Amount Authorized by Voters	\$ 134,645,000	\$ 168,306,250	\$ 148,245,000	\$ 185,306,250
Amount Issued			<u>2,770,000</u>	
Remaining to be Issued	<u>\$ 134,645,000</u>	<u>\$ 168,306,250</u>	<u>\$ 145,475,000</u>	<u>\$ 185,306,250</u>

Debt Service Fund cash, investments and cash with paying agent balances as of
June 30, 2025: \$ 478,872

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 383,651

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

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 743,134	\$ 118,010	\$
Water Service	325,626	271,225	264,497
Wastewater Service	229,878		
Connection Fees	641,096	1,394,449	
Investment and Miscellaneous Revenues	46,867	12,237	154,173
TOTAL REVENUES	<u>\$ 1,986,601</u>	<u>\$ 1,795,921</u>	<u>\$ 418,670</u>
EXPENDITURES			
Professional Fees	\$ 539,417	\$ 233,207	\$ 124,053
Contracted Services	478,874	171,812	78,582
Utilities	168,004	62,578	58,700
Conservation District Fees	8,787	12,272	14,037
Repairs and Maintenance	241,764	160,941	36,998
Other	159,219	70,193	47,397
Capital Outlay		857,545	
TOTAL EXPENDITURES	<u>\$ 1,596,065</u>	<u>\$ 1,568,548</u>	<u>\$ 359,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 390,536</u>	<u>\$ 227,373</u>	<u>\$ 58,903</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ (154,430)	\$	\$
Developer Advances	15,618		234,921
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (138,812)</u>	<u>\$ - 0 -</u>	<u>\$ 234,921</u>
NET CHANGE IN FUND BALANCE	\$ 251,724	\$ 227,373	\$ 293,824
BEGINNING FUND BALANCE	<u>271,605</u>	<u>44,232</u>	<u>(249,592)</u>
ENDING FUND BALANCE	<u><u>\$ 523,329</u></u>	<u><u>\$ 271,605</u></u>	<u><u>\$ 44,232</u></u>

See accompanying independent auditor's report.

Percentage of Total Revenues		
2025	2024	2023
37.3 %	6.6 %	%
16.4	15.1	63.2
11.6		
32.3	77.6	
2.4	0.7	36.8
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
27.2 %	13.0 %	29.6 %
24.1	9.6	18.8
8.5	3.5	14.0
0.4	0.7	3.4
12.2	9.0	8.8
8.0	3.9	11.3
	47.7	
<u>80.4 %</u>	<u>87.4 %</u>	<u>85.9 %</u>
<u>19.6 %</u>	<u>12.6 %</u>	<u>14.1 %</u>

See accompanying independent auditor's report.

CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - THREE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Miscellaneous Revenues	\$ 12,574	\$ 3,202	N/A
EXPENDITURES			
Tax Collection Expenditures	\$ 3,647	\$ 300	
Debt Service Interest and Fees	149,253		
TOTAL EXPENDITURES	\$ 152,900	\$ 300	N/A
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (140,326)	\$ 2,902	N/A
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 154,430	\$	
Long-Term Debt Issued	229,207	226,068	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 383,637	\$ 226,068	N/A
NET CHANGE IN FUND BALANCE	\$ 243,311	\$ 228,970	N/A
BEGINNING FUND BALANCE	228,970		
ENDING FUND BALANCE	\$ 472,281	\$ 228,970	N/A
TOTAL ACTIVE RETAIL WATER CONNECTIONS	391	378	189
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	391	378	189

See accompanying independent auditor's report.

Percentage of Total Revenues			
2025	2024	2023	
<u>100.0</u> %	<u>100.0</u> %	<u>N/A</u> %	
29.0 %	9.4 %		%
<u>1,187.0</u>			
<u>1,216.0</u> %	<u>9.4</u> %	<u>N/A</u> %	
<u>(1,116.0)</u> %	<u>90.6</u> %	<u>N/A</u> %	

See accompanying independent auditor's report.

District Mailing Address	- Cresson Crossroads Municipal Utility District No. 2 c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248
District Telephone Number	- (972) 788-1600

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

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CRESSON CROSSROADS MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

Consultants:	Date Hired	Fees for the year ended June 30, 2025	Title
Coats Rose, P.C.	08/08/24	\$ 253,517 \$ 86,074	General Counsel Bond related
Winstead PC	01/29/18 08/08/24	\$ 29,536	Former General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	02/13/23	\$ 18,250 \$ 7,500	Auditor Bond related
Dye & Toverly, LLC	01/29/18	\$ 90,271	Bookkeeper
Hilltop Securities, Inc.	06/22/22	\$ 81,334	Financial Advisor
Jacob & Martin	05/15/23 12/12/24	\$ 33,571	Former Engineer
Kimley Horn & Associates	12/12/24	\$ 201,302	Engineer
LA Services, LLC	03/23/22 11/21/24	\$ 65,395	Former Operator
Dynamic Services	11/21/24 03/20/25	\$ 116,462	Former Operator
Inframark, LLC	03/20/25	\$ 346,013	Operator
McCall, Parkhurst & Horton	03/01/24	\$ 12,000	Disclosure Counsel
Kerry Toverly, CPA	01/29/18	\$ -0-	Investment Officer
Harold Sandel	05/15/23	\$ 70,000	General Manager

See accompanying independent auditor's report.

APPENDIX B

General Fund and Operating Budget of the District for the year ending June 30, 2026

Cresson Crossroads MUD #2
General Operating Budget
July 2025 through June 2026

Budget Amendment Approved 10/16/25													Proposed Amendment	Original Budget	Original Budget vs Amended
	Jul 25	25-Aug	25-Sep	25-Oct	25-Nov	25-Dec	26-Jan	26-Feb	26-Mar	26-Apr	26-May	26-Jun			
Ordinary Revenue/Expense															
Revenue															
4000 · Tax Revenue	0	0	0	0	0	105,414	737,901	210,829	2	0	0	0	1,054,146	1,054,146	0
4108 · Connection fee revenue	38,824	87,354	77,648	77,648	77,648	77,648	97,060	97,060	97,060	97,060	97,060	97,060	1,019,130	1,019,130	0
4100 · Water Revenue	33,123	33,626	34,129	34,632	35,134	35,637	36,350	37,041	37,732	38,424	39,178	39,932	434,937	434,937	0
4101 · Waste Water Revenue	18,585	18,900	19,180	19,460	19,740	19,915	20,370	20,720	21,070	21,420	21,770	22,120	243,250	243,250	0
4105 · G W Revenue	875	888	901	915	928	941	960	978	997	1,015	1,035	1,055	11,487	11,487	0
4110 · Late Fees	720	720	720	720	720	720	720	720	720	720	720	720	8,640	8,640	0
4111 · Account Fees-New, Transfer, Disc	270	608	540	540	540	540	675	675	675	675	675	675	7,088	7,088	0
4115 - TCEQ Revenue	263	267	271	275	279	282	288	294	299	304	310	316	3,448	3,448	0
5391 · Interest Revenue	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	19,900	19,900	0
Total Revenue	94,318	144,021	135,048	135,848	136,648	242,757	895,982	369,975	160,213	161,276	162,406	163,536	2,802,026	2,802,026	0
Expense															
6071 - Appraisal Budget	0	0	0	0	0	3,175	0	0	0	0	0	0	3,175	3,175	0
6075 - Billings	4,568	5,040	5,024	5,088	5,152	5,216	5,456	5,536	5,616	5,696	5,776	5,856	64,024	64,024	0
6105 · Advertising	100	100	100	100	100	100	100	100	100	100	100	100	1,200	1,200	0
6160 - Signage	500	500	500	500	500	500	500	500	500	500	500	500	6,000	6,000	0
6201 · Inspections	2,569	67	67	2,567	67	67	2,594	92	92	92	100	100	8,472	8,472	0
6205 · Surveys	1,250	0	0	1,250	0	0	1,250	0	0	1,250	0	0	5,000	5,000	0
6260 · Mowing	10,000	10,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	100,000	100,000	0
6261 - Pond Maintenance	800	800	800	800	800	800	800	800	800	800	800	800	9,600	9,600	0
6299 · TCEQ RAF Expense	0	0	0	0	0	0	3,448	0	0	0	0	0	3,448	3,448	0
6300 - Land Lease (PR)	0	0	6,000	0	0	0	0	0	0	0	0	0	6,000	6,000	0
66000 · Payroll Expenses	11	11	11	11	11	11	11	11	11	11	11	11	132	132	0
7001 · Accounting	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,400	86,400	0
7070 - Auditing	0	10,000	8,250	0	0	0	0	0	0	0	0	0	18,250	18,250	0
7190 · Deliver/Courier Services	20	20	20	20	20	20	20	20	20	20	20	20	240	240	0
7201 · Directors Mtg Fee	750	750	750	750	750	750	750	750	750	750	750	750	9,000	9,000	0
7202 · Training	450	0	0	0	0	0	930	0	0	0	0	2,000	3,380	3,380	0
7210 · Mileage/Auto Allowance	500	500	500	500	500	500	500	500	500	500	500	500	6,000	6,000	0
7250 · Payroll Taxes	666	631	816	816	816	816	887	816	816	816	816	969	9,683	9,683	0
7270 - Salaries & Benefits	7,500	7,500	9,920	9,920	9,920	9,920	9,920	9,920	9,920	9,920	9,920	9,920	114,200	114,200	0
7275 - Election Costs	0	0	0	0	0	0	0	0	0	0	10,473	0	10,473	10,473	0
7300 · Engineering	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	192,000	192,000	0
7350 - Membership fees	0	0	0	750	0	0	0	1,000	0	0	0	0	1,750	1,750	0
7460 · Insurance	0	0	0	0	0	0	31,186	0	0	0	0	0	31,186	31,186	0
7500 · Legal	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000	150,000	0
7523 · Office Supplies	2,600	100	100	100	100	100	100	100	100	100	100	100	3,700	3,700	0
7600 · Website & Communications	300	300	300	400	300	300	300	300	300	300	300	300	3,700	3,700	0
Water Expense															
6150 · Operators Expense	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000	54,000	0
6155 · Chemicals	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000	48,000	0
6157 · Testing	500	7,360	0	500	0	0	500	7,360	0	500	0	0	16,720	2,000	14,720
6200 · Repairs & Maintenance	13,858	16,233	15,758	15,758	15,758	15,758	16,708	16,708	16,708	16,708	16,708	16,708	193,375	193,375	0
6250 · Utilities	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000	100,000	0
6258 · Fire Hydrant Survey & Repairs	0	0	0	0	0	0	20,000	40,000	0	0	0	0	60,000	60,000	0
6259 · Valve Survey & Repairs	0	0	0	0	20,000	40,000	0	0	0	0	0	0	60,000	60,000	0
6280 · Water Permit	675	0	0	700	0	0	675	0	0	700	0	0	2,750	2,750	0
6281 - Texas Rural Water Association	0	0	0	0	0	0	1,200	0	0	0	0	0	1,200	1,200	0
6282 - Water Pump Testing	0	0	0	24,000	12,000	12,000	0	0	0	0	0	0	48,000	0	48,000
6283 - UTGCD fee	0	0	0	0	0	7,000	0	0	0	0	0	7,000	14,000	14,000	0
Waste Water Expense															
6150 · Operators Expense	6,200	6,200	6,200	6,200	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	100,000	100,000	0
6155 · Chemicals	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	36,000	0
6200 · Repairs & Maintenance	45,970	24,892	24,892	24,892	24,892	24,892	24,892	24,892	24,892	24,892	24,892	24,892	319,782	319,782	0
6201 · Inspections - Wastewater	1,140	2,565	2,280	2,280	2,280	2,520	2,850	2,850	2,850	2,850	2,850	2,850	30,165	30,165	0
6250 · Utilities	6,833	6,833	6,833	6,833	6,833	6,833	6,833	6,833	6,833	6,833	6,833	6,833	82,000	82,000	0
6252 - Garbage	120	120	120	120	120	120	120	120	120	120	120	120	1,440	1,440	0

Cresson Crossroads MUD #2
General Operating Budget
July 2025 through June 2026

Budget Amendment Approved 10/16/25													Proposed Amendment	Original Budget	Original Budget vs Amended
	Jul 25	25-Aug	25-Sep	25-Oct	25-Nov	25-Dec	26-Jan	26-Feb	26-Mar	26-Apr	26-May	26-Jun			
6255 - Waste Water Permit	1,250	0	0	0	0	1,250	0	0	0	0	0	0	2,500	2,500	0
6257 - Manhole Survey & Repairs	4,465	0	20,000	40,000	0	0	0	0	0	0	0	0	64,465	64,465	0
6266 - TV Sanitary Sewer Point Repairs	0	0	0	0	0	0	0	0	30,000	30,000	0	0	60,000	60,000	0
6262 - Supplies	4,270	4,270	4,270	4,270	4,270	4,270	4,270	4,270	4,270	4,270	4,270	4,270	51,240	51,240	0
6263 - Kelly Ranch WWTP Pump & Hauls	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	120,000	0
6264 - Sludge Management	0	12,000	0	0	12,000	0	0	12,000	0	0	12,000	0	48,000	48,000	0
6265 - System Maintenance LS Qtrly Clean	0	8,000	0	0	8,000	0	0	8,000	0	0	8,000	0	32,000	32,000	0
Total Expense	183,399	190,326	187,045	222,659	208,123	219,852	219,736	226,412	188,132	190,662	188,773	167,533	2,392,651	2,329,931	62,720
Excess Operating Revenue over Expenses	-89,080	-46,305	-51,997	-86,811	-71,475	22,905	676,247	143,563	-27,919	-29,386	-26,367	-3,998	409,375	472,095	-62,720
Other Revenue/Expense															
Other Revenue															
8510 - Developer Advance	18,596	18,596	18,596	18,596	0	0	0	0	0	0	0	0	74,385	74,385	0
Total Other Revenue	18,596	18,596	18,596	18,596	0	0	0	0	0	0	0	0	74,385	74,385	0
Other Expenses															
8900.02 Transfer to DSF Area #2	0	0	0	0	0	0	209,430	0	0	0	0	0	209,430	209,430	0
8900.03 Transfer to DSF Area #3	0	0	0	0	0	0	131,813	0	0	0	0	0	131,813	131,813	0
9000 - Area #3 Capital Assets	18,596	18,596	18,596	18,596	0	0	0	0	0	0	0	0	74,385	74,385	0
Total Other Expenses	18,596	18,596	18,596	18,596	0	0	341,243	0	0	0	0	0	415,628	415,628	0
Deficit Other Revenue over Expenses	0	0	0	0	0	0	-341,243	0	0	0	0	0	-341,243	-341,243	0
Excess Revenue over Expenses	-89,080	-46,305	-51,997	-86,811	-71,475	22,905	335,004	143,563	-27,919	-29,386	-26,367	-3,998	68,132	130,852	-62,720

APPENDIX C

Form of Bond Counsel's Opinion

COATS | ROSE

A PROFESSIONAL CORPORATION

[CLOSING DATE]

WE HAVE ACTED as bond counsel in connection with the issuance by Cresson Crossroads Municipal Utility District No. 2 (the "District") of its bonds styled "Cresson Crossroads Municipal Utility District No. 2 Unlimited Tax [ROAD/UTILITY] Bonds, Series 202_" (the "Bonds") dated _____, 202_, issued in the aggregate principal amount of \$_____, maturing on [MARCH/SEPTEMBER] 15, in the years 20__ through 20__. The Bonds maturing on [MARCH/SEPTEMBER] 15, 20__ 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 _____, 20__, or on any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

THE BONDS BEAR INTEREST from [DATE] (the "Delivery Date") or from the most recent interest payment date to which interest has been paid or duly provided for with such interest being payable on [MARCH/SEPTEMBER] 15, 20__ and semiannually thereafter on each [MARCH/SEPTEMBER] 15 and [MARCH/SEPTEMBER] 15 thereafter to maturity (each an "Interest Payment Date"), at the following interest rates for the respective maturity dates of the Bonds:

<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %
\$ _____	20__	_____ %

The Term Bonds are subject to mandatory redemption on [MARCH/SEPTEMBER] 15 in the years and in the amounts set forth below (subject to reduction by optional redemption as herein

16000 NORTH DALLAS PARKWAY, SUITE 350, DALLAS, TEXAS 75248

PHONE: (972) 788-1600 FAX: (972) 702-0662

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018640.000004\4901-2152-1835.v2

provided) at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

\$ _____
Term Bond

Due: [MARCH/SEPTEMBER] 15, 20__
Interest Rate: _____%

<u>Principal Amount</u>	<u>Redemption Date</u>
\$ _____	[MARCH/SEPTEMBER] 15, 20__
\$ _____	[MARCH/SEPTEMBER] 15, 20__

\$ _____
Term Bond

Due: [MARCH/SEPTEMBER] 15, 20__
Interest Rate: _____%

<u>Principal Amount</u>	<u>Redemption Date</u>
\$ _____	[MARCH/SEPTEMBER] 15, 20__
\$ _____	[MARCH/SEPTEMBER] 15, 20__
\$ _____	[MARCH/SEPTEMBER] 15, 20__

Said interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months, and shall be payable on [MARCH/SEPTEMBER] 15, 20__, and semi-annually thereafter on [MARCH/SEPTEMBER] 15 and [MARCH/SEPTEMBER] 15 of each year until maturity of the pertinent Bond.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of materials pertaining to the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board of Directors of the District, including, among other things, an order authorizing the issuance of the Bonds (the "Bond Order"), together with certificates of officers, agents and representatives of the District and other documents relating to the authorization and issuance of the Bonds. We have also reviewed and examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, court decisions, and rulings of the Internal Revenue Service and such other materials as we deemed necessary to render the opinions hereinafter expressed.

BASED ON SUCH EXAMINATION, WE ARE OF THE OPINION THAT:

1. The Bonds have been duly authorized and issued in conformity with the Constitution and laws of the State of Texas now in force and are valid and legally binding obligations of the District, enforceable in accordance with the terms and conditions set forth therein, except to the extent that the enforcement of the rights and remedies of the holders of the

Bonds may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds are payable, as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, on all taxable property in the District non-exempt from taxation by or under applicable law. Furthermore, the District is required to levy and assess, for each year while any of the Bonds are outstanding, an ad valorem tax on all taxable property within the District sufficient to pay interest on and the maturing principal of the Bonds, and the expenses of assessing and collecting such tax, as provided in the Bond Order.

3. Interest on the Bonds is excludable from gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code and existing regulations, court decisions, and rulings, assuming continuing compliance by the District with the provisions of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of the Code, as amended.

In providing the foregoing opinions, we have relied upon representations of the District with respect to matters solely within the knowledge of the District, which we have not independently verified, and we have assumed the accuracy and completeness of, and the District's continuing compliance with, the representations and covenants contained in the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing provisions of the Bond Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion with respect to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. The law upon which this opinion is based is subject to change by the Congress and the Department of the Treasury and by subsequent judicial and administrative interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner that would adversely affect the tax treatment of ownership of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to financial institutions, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, owners of interests in a FASIT, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Parker County, Hood County, Johnson County, the City of Cresson, or any other entity.

[CR SIGNATURE]

DRAFT OF FORM

APPENDIX D

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

28 Liberty Street, 59th Floor
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

Municipal Advisory Services
Provided By

