

OFFICIAL STATEMENT DATED JUNE 16, 2026

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book Entry Only

NOT RATED

SPRADLEY FARMS IMPROVEMENT DISTRICT OF KAUFMAN COUNTY
(A political subdivision of the State of Texas, located within Kaufman County)

\$4,045,000
UNLIMITED TAX UTILITY BONDS
SERIES 2026

Dated: July 1, 2026

Due: September 1, as shown on inside cover page

Interest Accrues: Delivery Date

The \$4,045,000 Unlimited Tax Utility Bonds, Series 2026 (the "Bonds") are obligations of Spradley Farms Improvement District of Kaufman County (the "District") and are not obligations of the State of Texas; Kaufman County, Texas (the "County"); the City of Mesquite, Texas (the "City"); or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated July 1, 2026, and interest on the Bonds accrues from the initial date of delivery (on or about July 22, 2026) (the "Delivery Date"), and is payable on March 1, 2027, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on inside cover.

The Bonds constitute the first series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Voters of the District authorized the issuance of the following unlimited tax bonds: \$221,155,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, \$206,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, \$217,110,000 principal amount of unlimited tax bonds for Utility System purposes, \$206,160,000 principal amount of unlimited tax bonds for Road System purposes, \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS - Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISK FACTORS AS DESCRIBED HEREIN, INCLUDING A HIGH CONCENTRATION OF OWNERSHIP OF TAXABLE PROPERTY AND RISKS ASSOCIATED WITH EARLY STAGES OF DEVELOPMENT. See "RISK FACTORS" herein.

The Bonds are offered, when, as and if issued by the District to the winning bidders of the Bonds (the "Initial Purchaser") subject, among other things, to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about July 22, 2026.

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

\$4,045,000 Unlimited Tax Utility Bonds, Series 2026

\$570,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>CUSIP No. 849302(b)</u>
2028	\$70,000	4.000%	4.000%	AA2
2029	75,000	4.000%	4.000%	AB0
2030	75,000	4.000%	4.000%	AC8
2031	80,000	4.000%	4.000%	AD6
2032 (c)	85,000	5.000%	4.050%	AE4
2033 (c)	90,000	4.000%	4.100%	AF1
2034 (c)	95,000	4.000%	4.150%	AG9

\$3,475,000 Term Bonds

\$195,000 Term Bonds Due September 1, 2036 (c)(d), Interest Rate: 4.250%, (Price: \$99.589) (a), CUSIP No. 849302 AJ3(b)

\$220,000 Term Bonds Due September 1, 2038 (c)(d), Interest Rate: 4.500%, (Price: \$99.534) (a), CUSIP No. 849302 AL8(b)

\$375,000 Term Bonds Due September 1, 2041 (c)(d), Interest Rate: 4.500%, (Price: \$97.849) (a), CUSIP No. 849302 AP9(b)

\$280,000 Term Bonds Due September 1, 2043 (c)(d), Interest Rate: 4.625%, (Price: \$97.968) (a), CUSIP No. 849302 AR5(b)

\$310,000 Term Bonds Due September 1, 2045 (c)(d), Interest Rate: 4.750%, (Price: \$98.758) (a), CUSIP No. 849302 AT1(b)

\$340,000 Term Bonds Due September 1, 2047 (c)(d), Interest Rate: 4.750%, (Price: \$98.035) (a), CUSIP No. 849302 AV6(b)

\$580,000 Term Bonds Due September 1, 2050 (c)(d), Interest Rate: 4.750%, (Price: \$96.515) (a), CUSIP No. 849302 AY0(b)

\$1,175,000 Term Bonds Due September 1, 2055 (c)(d), Interest Rate: 5.000%, (Price: \$100.00) (a), CUSIP No. 849302 BD5(b)

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- (a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on July 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

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 or the Initial Purchaser.

This Official Statement does not constitute and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and 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 Allen Boone Humphries Robinson LLP, Dallas, Texas (“Bond Counsel”) for further information.

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

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT ..1	Future and Proposed Legislation 16
SALE AND DISTRIBUTION OF THE BONDS3	Marketability of the Bonds..... 16
Award of the Bonds.....3	Dissolution 16
Prices and Marketability3	Approval of the Bonds.....17
Securities Laws.....3	Environmental Regulations.....17
RATINGS.....3	Potential Impact of Natural Disaster19
OFFICIAL STATEMENT SUMMARY4	Changes in Tax Legislation.....19
SELECTED FINANCIAL INFORMATION8	Increase in Costs of Building Materials and
INTRODUCTION9	Labor Shortages 19
RISK FACTORS.....9	Cybersecurity 19
General.....9	THE BONDS.....19
Factors Affecting Taxable Values and Tax	General.....19
Payments9	Description.....19
Factors Affecting TIRZ Revenues11	Book-Entry-Only System20
Vacant Developed Lots14	Successor Paying Agent/Registrar22
Operating Funds14	Record Date22
Tax Collection Limitations14	Registration, Transfer and Exchange22
Registered Owners’ Remedies.....15	Mutilated, Lost, Stolen or Destroyed Bonds.....22
Bankruptcy Limitation to Registered Owners’	Redemption Provisions22
Rights.....15	Source of Payment.....24
Future Debt.....15	Defeasance24
Continuing Compliance with Certain	Registered Owners’ Remedies.....25
Covenants16	Authority for Issuance25

Payment Record.....	25	DISTRICT DEBT.....	41
Issuance of Additional Debt.....	25	Estimated Overlapping Debt Statement.....	42
No Arbitrage.....	26	Debt Ratios.....	42
Funds.....	26	Debt Service Requirement Schedule.....	43
Amendments to the Bond Resolution.....	26	TAXING PROCEDURES.....	44
Legal Investment and Eligibility to Secure		Authority to Levy Taxes.....	44
Public Funds in Texas.....	26	Property Tax Code and County-Wide	
Use and Distribution of Bond Proceeds.....	28	Appraisal District.....	44
THE DISTRICT.....	29	Property Subject to Taxation by the District.....	45
General.....	29	Valuation of Property for Taxation.....	46
Authority.....	29	District and Taxpayer Remedies.....	46
Location of the District.....	29	Tax Abatement.....	47
Management of the District.....	29	Levy and Collection of Taxes.....	47
Investment Policy.....	29	Reappraisal of Property after Disaster.....	47
Consultants.....	30	District's Rights in the Event of Tax	
Historical Operations of the Utility System.....	31	Delinquencies.....	48
DEVELOPMENT OF THE DISTRICT.....	32	Tax Payment Installments After Disaster.....	48
Status of Development within the District.....	32	Rollback of Operation and Maintenance Tax	
Homebuilders within the District.....	32	Rate.....	48
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	33	TAX DATA.....	49
THE DEVELOPER/PRINCIPAL LANDOWNER.....	35	General.....	49
The Role of a Developer.....	35	Tax Rate Limitation.....	50
Description of the Developer/Principal		Debt Service Tax.....	50
Landowner.....	35	Maintenance Tax.....	50
Development Financing.....	35	Historical Tax Collections.....	50
Lot Sales Contracts.....	36	Tax Rate Distribution.....	50
Construction and Reimbursement		Analysis of Tax Base.....	50
Agreements.....	36	Principal Taxpayers.....	51
THE ROAD SYSTEM.....	36	Tax Rate Calculations.....	51
THE UTILITY SYSTEM.....	36	Estimated Overlapping Taxes.....	51
Regulation.....	36	LEGAL MATTERS.....	52
Description of the Utility System.....	36	Legal Opinions.....	52
100-Year Flood Plain.....	37	No-Litigation Certificate.....	52
Atlas 14.....	37	No Material Adverse Change.....	53
TAX INCREMENT REINVESTMENT ZONE NO. 13,		TAX MATTERS.....	53
CITY OF MESQUITE, TEXAS.....	37	Tax Exemption.....	53
General Statutory Requirements for Tax		Qualified Tax-Exempt Obligations.....	54
Increment Reinvestment Zones in Texas.....	37	Additional Federal Income Tax	
Calculation of Tax Increment for the TIRZ.....	38	Considerations.....	54
TIRZ Base Value.....	38	CONTINUING DISCLOSURE OF INFORMATION.....	56
TIRZ Term.....	38	Annual Reports.....	56
Participating Taxing Units.....	39	Event Notices.....	56
Estimated TIRZ Increments – Tax Year 2025.....	39	Availability of Information.....	57
Historical TIRZ Increment Collections.....	39	Limitations and Amendments.....	57
MASTER DEVELOPMENT AGREEMENT.....	39	Compliance with Prior Undertakings.....	58
On Construction, Ownership and		OFFICIAL STATEMENT.....	58
Maintenance of TIRZ Improvements.....	39	General.....	58
Tax Increment Fund.....	40	Experts.....	58
Participant Obligations.....	40	Certification as to Official Statement.....	58
Remedies in the Event of Default.....	40	Updating of Official Statement.....	58
Amended TIRZ Plan.....	40	CONCLUDING STATEMENT.....	59
Provision of Water Supply and Sanitary		APPENDIX A Financial Statements of the District	
Sewer Services to Users within the			
District.....	40		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by Hilltop Securities, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.000000% of the principal amount thereof, which resulted in a net effective interest rate of 4.947007%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

The prices and other terms 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 reoffering 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.

Securities Laws

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

RATINGS

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District.....Spradley Farms Improvement District of Kaufman County (the “District”), a political subdivision of the State of Texas, is located within the city limits of the City of Mesquite, Texas (the “City”) in Kaufman County, Texas (the “County”). See “THE DISTRICT.”

The Bonds.....The District is issuing its \$4,045,000 Unlimited Tax Utility Bonds, Series 2026 (the “Bonds”). The Bonds are dated July 1, 2026 and mature on September 1 in each of the years and principal amounts set forth on the inside cover page. Interest accrues from the initial date of delivery (expected to be on or about July 22, 2026) (the “Delivery Date”), at the rates per annum set forth on the inside cover page and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General.”

Redemption Provisions*Optional Redemption:* The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District, on July 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

Mandatory Redemption: The Bonds maturing on September 1, in the years 2036, 2038, 2041, 2043, 2045, 2047, 2050 and 2055, are term bonds (the “Term Bonds”). The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”

Book-Entry-Only System.....The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of The Depository Trust Company for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Tax Increment Reinvestment Zone

No. 13.....Effective July 6, 2020 the District entered into an Amended and Restated Master Development Agreement (the “Master Development Agreement”) with the City, the Board of Directors of Reinvestment Zone Number Thirteen, City of Mesquite, Texas (the “TIRZ”) and the Developer (defined herein) whereby the City will reimburse certain District costs in accordance with the Amended Project Plan and Reinvestment Zone Financing Plan, duly approved by the City pursuant to Ordinance No. 4790 (the “Amended TIRZ Plan”). The City has entered into an Agreement to Participate in Tax Increment Reinvestment Zone Number Thirteen, City of Mesquite Texas (Spradley Farms), dated September 21, 2020, as may have

been amended from time to time with the County (the “TIRZ Participation Agreement”), pursuant to which the County has agreed to annually deposit into the Tax Increment Fund the County Increment (defined below). The Amended TIRZ Plan provides for the City to rebate 60% of the ad valorem property taxes levied and collected by the City for a given year on the Captured Appraised Value (herein defined) within the District until the date the District has received bond proceeds or Available TIRZ Revenues (as defined in the Master Development Agreement) of \$159,000,000 (the “TIRZ Cap”, and the increment received from the City, the “City Increment”). . The TIRZ Participation Agreement provides for the County to rebate 55% of its ad valorem property taxes (not including the road & bridge tax rate or debt Service Tax Rate) levied and collected by the County for a given year on the Captured Appraised Value within the TIRZ until the earlier of 35 years (beginning with tax year 2020), or the date on which the County and City’s combined contribute to the Tax Increment Fund equals \$159,000,000. The City Increment and the County Increment are referred to collectively herein as the “TIRZ Increments.” The City and the County are herein referred to as the “Participants” of the TIRZ. The captured appraised value of real property taxable by the Participants for a given year is the total appraised value of all real property located in the TIRZ for that year less the base value (the “Captured Appraised Value”). The base value is the total appraised value of all real property located in the TIRZ that is taxable by the Participants as of January 1, 2019, the year in which the TIRZ was designated as such under Chapter 311 of the Texas Tax Code (the “Base Value”). Pursuant to the Master Development Agreement, the Pledged TIRZ Revenues (herein defined) will be used by the District to pay for the design and construction of the District’s Road System, Utility System and certain open-space improvements, or to pay debt service on bonds issued by the District for such purposes. See “TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS.”

Authority for Issuance.....At an election held within the District on May 7, 2022, voters of the District authorized the issuance of the following: \$221,155,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, \$206,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the “TCEQ”); (ii) a resolution of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Resolution”); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 of the Texas Water Code, as amended, Chapter 375 of the Texas Local Government Code, as amended; and (iv) the election held for the District on May 7, 2022.

Source of Payment.....Principal of and interest on the Bonds is payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not

obligations of the State of Texas; the County; the City; or any entity other than the District. See “THE BONDS – Source of Payment.”

The City has created a tax increment fund into which the TIRZ Increments (herein defined) shall be deposited (the “Tax Increment Fund”). The City has entered into a TIRZ Participation Agreement with the County, pursuant to which each taxing entity has agreed to deposit annually the TIRZ Increments to the Tax Increment Fund. The portion of TIRZ Increments deposited each year to the Tax Increment Fund which portion is attributable to ad valorem taxation of property within the District, net of any operating costs of the TIRZ, is referred to herein as the “TIRZ Revenues.” Amounts paid to the District under the TIRZ Participation Agreement (hereinafter defined) are not pledged to the payment of the Bonds but are lawfully available to pay debt service. See “TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS.”

- Payment Record.....The Bonds constitute the first series of unlimited tax bonds issued by the District.
- Short-Term Debt.....The District issued its \$2,298,000 Bond Anticipation Note, Series 2025 (the “BAN”), dated December 19, 2025. The BAN matures on December 18, 2026, and accrues interest at a rate of 4.85% per annum, calculated on the basis of actual days elapsed and a 365-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity.
- Use of Proceeds of the Bonds.....Proceeds from the sale of the Bonds will be used by the District to pay certain costs relating to the Utility System, including developer interest, and to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the costs of the water, wastewater, and drainage improvements and related costs shown under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds from the sale of the Bonds will be used to pay BAN interest, to pay eighteen (18) months of capitalized interest on the Bonds, developer interest, creation expenses and certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bonds Proceeds” for further information.
- Qualified Tax-Exempt Obligations.....The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions.
- RatingsThe District has not made an application for an underlying rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade underlying rating on the Bonds had such application been made.
- Bond CounselAllen Boone Humphries Robinson LLP, Dallas, Texas.
- Disclosure CounselMcCall, Parkhurst & Horton L.L.P., Dallas, Texas.
- Financial Advisor.....Cedar Creek Municipal Advisors LLC, Irving, Texas.
- Paying Agent/RegistrarBOKF, NA, Dallas, Texas.

THE DISTRICT

- Description.....The District was created by order of the Texas Commission on Environmental Quality issued August 19, 2021. The District was created as an Improvement District under Article III, Section 52 and 52(a) and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 of the Texas Water Code, as amended, and Chapter 375 of the Texas

Local Government Code, as amended. See “THE DISTRICT – General.”

LocationThe District encompasses approximately 621.995 acres of land located entirely within the corporate limits of the City and is located approximately 22 miles east of downtown Dallas, Texas and within the County. The southern tract is bound by US Interstate 20 on the north, and FM Road 2757 on the southwest. The northern tract is bound on the south by US Interstate 20. The District lies entirely within the boundaries of Tax Increment Reinvestment Zone No. 13, City of Mesquite, Texas and Forney Independent School District.

The Developer/Principal LandownerCH TNC Mesquite Owner, LP (the “Developer”) is a Texas limited partnership managed by The Nehemiah Company, LLC (“Nehemiah”). Nehemiah is in the business of managing and developing real property, including residential communities. See “THE DEVELOPER/PRINCIPAL LANDOWNER.”

Status of Development.....The District consists of approximately 621.995 total acres. To date, approximately 96.810 acres have been developed as 460 single-family lots within Talia Phase 1A and Phase 1B. As of May 1, 2026, the District included approximately 65 completed homes (approximately 34 occupied, 23 unoccupied, and 8 model home); approximately 24 homes under construction; and approximately 371 vacant developed lots. See “RISK FACTORS – Vacant Developed Lots.” Additionally, approximately 3.310 acres are actively in development and under construction for a new fire station and elevated water storage tank.

The remaining land in the District includes approximately 374.002 acres planned for development as additional single-family residential sections; approximately 3.506 acres on which an amenity center will be constructed; approximately 11.685 acres designated for an elementary school; and approximately 132.682 acres that are undevelopable. See “DEVELOPMENT OF THE DISTRICT.”

HomebuildersThe homebuilders currently active in the District are Weekley Homes, Cadence Homes, Drees Homes, Chesmar Homes, and Highland Homes. New homes being constructed in the District range in price from approximately \$241,990 to \$525,900 and range in size from approximately 1,321 square feet to 3,841 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

RISK FACTORS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Taxable Assessed Valuation.....	\$ 35,763,963	(a)
2026 Preliminary Assessed Valuation	\$ 43,586,178	(b)
Estimate of Value as of May 1, 2026	\$ 64,208,477	(c)
Direct Debt:		
The Bonds.....	<u>\$ 4,045,000</u>	
Total Direct Debt.....	\$ 4,045,000	
Estimated Overlapping Debt	<u>\$ 5,058,425</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 9,103,425	
Direct Debt Ratios:		
As a percentage of 2025 Taxable Assessed Valuation	11.31	%
As a percentage of 2026 Preliminary Assessed Valuation.....	9.28	%
As a percentage of Estimate of Value as of May 1, 2026.....	6.30	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2025 Taxable Assessed Valuation	25.45	%
As a percentage of 2026 Preliminary Assessed Valuation.....	20.89	%
As a percentage of Estimate of Value as of May 1, 2026.....	14.18	%
Utility System Debt Service Fund Balance (as of Delivery Date).....	\$ 283,256	(e)
General Operating Fund Balance (April 21, 2026).....	\$ 123,037	(f)
2025 Tax Rate		
Utility System Debt Service	\$0.00	(g)
Road System Debt Service	\$0.00	
Maintenance & Operation	<u>\$0.54</u>	
Total.....	\$0.54	
Average Annual Debt Service Requirement on the Bonds (2027-2055).....	\$ 264,250	(h)
Maximum Annual Debt Service Requirement on the Bonds (2052).....	\$ 273,250	(h)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds (2027-2055)		
Based on 2025 Taxable Assessed Valuation.....	\$ 0.78	(i)
Based on 2026 Preliminary Assessed Valuation	\$ 0.64	(i)
Based on Estimate of Value as of May 1, 2026	\$ 0.44	(i)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2052)		
Based on 2025 Taxable Assessed Valuation.....	\$ 0.81	(i)
Based on 2026 Preliminary Assessed Valuation	\$ 0.66	(i)
Based on Estimate of Value as of May 1, 2026	\$ 0.45	(i)

- (a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2025, as provided by the Kaufman Central Appraisal District (the "Appraisal District")
- (b) Provided by the Appraisal District as the preliminary estimate of assessed value as of January 1, 2026. No taxes will be levied on such preliminary estimate of value, which is subject to protest by landowners. See "TAX PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2026 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2025 through May 1, 2026. No taxes will be levied on this estimated value. See "RISK FACTORS - Future Debt."
- (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) Represents eighteen (18) months of capitalized interest to be deposited into the Utility System Debt Service Fund (defined herein) upon closing of the Bonds. Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.
- (f) See "RISK FACTORS - Operating Funds."
- (g) The District anticipates levying its first debt service tax rate for the 2026 tax year.
- (h) See "DISTRICT DEBT - Debt Service Requirement Schedule."
- (i) Represents the amount of the debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District's anticipated use of funds from the TIRZ Revenues (hereinafter defined) for payment of a portion of the debt service on the Bonds. Based on the Participants 2025 tax rates and participation percentage, the District expects to receive revenue of \$201,351 that is expected to be used to pay debt service on the Bonds. While the District intends to use the TIRZ Revenues to pay a portion of the debt service on the Bonds, the TIRZ Revenues are not pledged to the payment of debt service on the Bonds. See "RISK FACTORS - Dependence on Collection of TIRZ Increments," and "TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS."

OFFICIAL STATEMENT

relating to

SPRADLEY FARMS IMPROVEMENT DISTRICT OF KAUFMAN COUNTY

(a political subdivision of the State of Texas, located within Kaufman County)

\$4,045,000

UNLIMITED TAX UTILITY BONDS

SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Spradley Farms Improvement District of Kaufman County (the “District”) of its \$4,045,000 Unlimited Tax Utility Bonds, Series 2026 (the “Bonds”).

The Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the “TCEQ”); (ii) a resolution of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Resolution”); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 of the Texas Water Code, as amended, Chapter 375 of the Texas Local Government Code, as amended; and (iv) the election held for the District on May 7, 2022.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Kaufman County, Texas (the “County”); the City of Mesquite, Texas (the “City”); or any political subdivision other than the District. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See “THE BONDS – Source of Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential, commercial and retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly on short-term interest rates at which developers are able to obtain financing for development costs.

Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 22 miles east of downtown Dallas, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Dallas and the nation could adversely affect development plans in the District and restrain the growth of the District’s property tax base.

Competition: The demand for and construction of single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Dallas area market. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. Downturns in the real estate market, mortgage rates, and other factors beyond the control of the Developer or homebuilders, including general economic conditions, may impact the timing of lot and home sales within the District. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District.

Dependence on Major Taxpayers and the Developer: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's top ten principal taxpayers as of January 1, 2025, owned approximately 87.80% of the assessed value of property located in the District. In addition, the Developer (herein defined) and homebuilders owned a total of approximately 82.12% of the assessed value of property located in the District as of January 1, 2025. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by the Developer or one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "RISK FACTORS – Tax Collection Limitations" below and "THE DEVELOPER/PRINCIPAL LANDOWNER" herein.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Developers Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER/PRINCIPAL LANDOWNER" and "DEVELOPMENT OF THE DISTRICT."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2025 Taxable Assessed Valuation of all taxable property located within the District is \$35,76,963, the 2026 Preliminary Assessed Valuation is \$43,586,178 and the Estimate of Value as of May 1, 2026, is \$64,208,477. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds (2052) is \$273,250, and the average annual debt service requirement on the Bonds (2027-2055) is \$264,250. Assuming no decrease to

the District's 2025 Taxable Assessed Valuation, debt service tax rates of \$0.81 and \$0.78 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease to the District's 2026 Preliminary Assessed Valuation, debt service tax rates of \$0.66 and \$0.64 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of May 1, 2026, debt service tax rates of \$0.45 and \$0.44 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District anticipates that a portion of the debt service on the Bonds will be paid with the TIRZ Revenues pursuant to the Master Development Agreement. Based on the Participants' 2025 tax rates and participation percentages, the District expects to receive revenue of \$201,351 that is expected to be used to pay debt service on the Bonds. While the District intends to use the TIRZ Revenues to pay a portion of the debt service on the Bonds, the TIRZ Revenues are not pledged to the payment of debt service on the Bonds. If such TIRZ Revenues are ever insufficient to make debt service payments, the District is obligated to levy debt service taxes sufficient to make such payments. No representation can be made as to the City's future tax rates and the impact they would have on the anticipated TIRZ Revenues, or the ability of the District to make debt service payments on the Bonds if the TIRZ Revenues are not available. See "MASTER DEVELOPMENT AGREEMENT – Tax Increment Fund."

Increases in the District's tax rate to rates substantially higher than the levels discussed above necessary to pay the maximum annual debt service requirement and the average debt service requirement may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

Factors Affecting TIRZ Revenues

While TIRZ Revenues are not pledged to the payment of the Bonds, the District intends to use TIRZ Revenues to pay for a portion of the debt service on the Bonds. The follow are risk factors related to the TIRZ Revenues.

Tax and Collection Rates May Decline

The amount of TIRZ Increments available to pay principal of and interest on the Bonds is determined by the taxable value of real property in the Tax Increment Reinvestment Zone No. 13, City of Mesquite, Texas (the "TIRZ"), the tax rate of the Participants (herein defined), and the percentage of taxes actually collected from taxpayers in the TIRZ and paid into the Tax Increment Fund. The TIRZ Increments do not result from any increase in the appraised value of personal property (such as equipment and inventory) in the TIRZ. The Participants are not required under Texas law to set a tax rate sufficient to assure any certain dollar amount of TIRZ Increments; rather, Texas law only requires the Participants to contribute the TIRZ Increments actually collected and only to the extent provided in the applicable interlocal agreement. The Participants will set their tax rate in accordance with the Texas Tax Code and other applicable law, which contain various limitations on the rate at which taxes may be levied. If the Participants tax rates decrease, the amount of TIRZ Increments available in the Tax Increment Fund may decrease.

The creation of TIRZ Increments is also dependent on the Participants successfully collecting the taxes that they levy in a timely manner. If the percentage of taxes collected by the Participants in the TIRZ declines, the amount of TIRZ Increments available in the Tax Increment Fund may decrease. Historical tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, the TIRZ Increments involve extensive administration and are subject to error. Errors in the collection of (or accounting for) the TIRZ Increments could delay or reduce the Tax Increment available for the payment of debt service on the Bonds.

Limited Obligation of the Participants and Limited Remedies

While the Bonds are secured by the unlimited taxing authority of the District, a portion of the Bonds are anticipated to be repaid with TIRZ Revenues (defined herein) consisting of TIRZ Increments made by the Participants and transferred to the Tax Increment Fund. THE PARTICIPANTS ARE NOT OBLIGATED TO MAKE ANY PAYMENTS OF PRINCIPAL OR INTEREST ON THE BONDS. FURTHERMORE, THE BONDS ARE NOT OBLIGATIONS OF THE STATE OR ANY ENTITY OTHER THAN THE DISTRICT, NOR ARE THEY DIRECT OBLIGATIONS OF THE CITY OR THE COUNTY. THE SOLE OBLIGATION OF THE CITY AND COUNTY WITH RESPECT TO THE PAYMENT OF TIRZ REVENUES IS TO FORWARD TO THE CITY THE TIRZ INCREMENTS

PURSUANT TO THE TIRZ PARTICIPATION AGREEMENT AND THE SOLE OBLIGATION OF THE CITY IS TO DEPOSIT THOSE TIRZ INCREMENTS COLLECTED FROM THE PARTICIPANTS, TO THE TAX INCREMENT FUND IN ACCORDANCE WITH THE TERMS OF THE MASTER DEVELOPMENT AGREEMENT.

The obligation of each Participant to pay its Tax Increment is limited in term or term and amount, as addressed below in "Dependence on Collection of TIRZ Increments." A Participant may suspend its payment obligations under the TIRZ Participation Agreement only in the event (i) the City approves an amendment to the ordinance creating the TIRZ different from an amendment approved by the TIRZ Board; (ii) the Final TIRZ Plan is amended to substantially change the scope and nature of the Final TIRZ Plan; or (iii) the boundaries of the TIRZ are expanded, until such time as the amendment or boundary change is approved by such Participant.

If a party to the Master Development Agreement is in default, the sole and exclusive remedy available to the non-defaulting parties is to seek the equitable remedy of specific performance of the agreement through mandamus action or other appropriate means.

Taxable Value in the Zone May Decline

Each year the total appraised value of all taxable real property in the TIRZ compared to the Base Value (herein defined) will determine the Captured Appraised Value (herein defined).

The District cannot make any representation that the property within the TIRZ will achieve or maintain any certain value. Generally, property owners have the right to protest the appraised value of their property in the TIRZ and are not required to render their property for ad valorem taxation at any agreed upon level. The appraised value of the property and improvements will finally be determined and certified by the Appraisal District (herein defined) in accordance with the procedures described in "TAXING PROCEDURES," and may be at a value lower than projected. The appraisal method or combination of methods that the Appraisal District uses within the TIRZ is within the discretion of its Chief Appraiser and may change from time to time. The use of a particular method or combination of methods of appraisal with respect to property in the TIRZ may, over time, cause a decrease in the Captured Appraised Value in the TIRZ and, therefore, result in a reduction in the amount of Tax Increment available to pay debt service on the Bonds.

Several factors can adversely or positively affect the taxable value of one or more specific properties within the TIRZ, which can either individually, or in the aggregate, affect the Captured Appraised Value in the TIRZ. A discussion of several such factors follows but is not intended to be an exhaustive list of all factors that could potentially affect the taxable value within the TIRZ.

First, the appraised value of the commercial and residential development within the TIRZ is affected by the demand for such commercial establishments and housing. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the United States and the State of Texas, and the specific economic conditions and demographic characteristics of the District and the surrounding area.

Second, the Texas Tax Code allows certain property to be appraised at less than its market value. Upon application of the owner, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be appraised at the price for which they would sell as a unit to a purchaser who would continue the owner's business. A landowner in the TIRZ may apply for and receive a designation that his land is being used for agricultural, open-space, timber, or certain other purposes. The value of land held for these purposes may be much less than land used for industrial, commercial or residential purposes. If a landowner receives the agricultural use, open space or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, the City can collect taxes based on the new use, including taxes for the previous five years, unless the property was owned by an individual farmer whose primary occupation is farming, in which case the City can collect taxes based on the new use for the previous three years. In this circumstance, both the base year tax value and the current year tax value of property may increase, thereby changing the previously established Captured Appraised Value for each year.

Third, under State law, the Participants have the right on a year to year basis to grant various exemptions from taxation, including general homestead exemption or an exemption for residential homesteads of persons 65 years of age or disabled. See "TAXING PROCEDURES" herein. An increase in tax exemptions available in the TIRZ may result in a reduction in the amount of TIRZ Increments available to be deposited to the Tax Increment Fund.

Fourth, owners of property in the TIRZ may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Development of property for certain types of multi-family housing may result in the property becoming exempt from ad valorem taxes. See "TAXING PROCEDURES."

Fifth, taxes on property in the TIRZ may be abated. The Texas Tax Code, Chapter 311, as amended (the "TIRZ Act") allows any taxing unit that is not a school district to enter into a tax abatement agreement with an owner of real property in the TIRZ for a term not to exceed ten years, if the board of directors of the TIRZ (the "TIRZ Board") approves the agreement and the governing body of the taxing unit approves the agreement. Under such a tax abatement agreement, increases in value in the real property subject to the agreement are not considered in determining the taxable value in the TIRZ. Finally, natural disasters or other events could damage or completely destroy property in the TIRZ. See "Potential Impact of Natural Disaster" below.

A Decrease in Taxable Value Produces a Greater Decrease in Captured Appraised Value and Can Reduce TIRZ Increments Significantly

A percentage decrease in taxable values results in a larger percentage decrease in the Captured Appraised Value. For instance, if the TIRZ had a taxable value of \$100 and a Captured Appraised Value of \$50, then a reduction in taxable value to \$95 would be a 5% decrease in taxable values and a 10% decrease in Captured Appraised Value. If the TIRZ had a taxable value of \$100 and a Captured Appraised Value of \$25, then a reduction in taxable value to \$95 would be a 5% decrease in taxable values and a 20% decrease in Captured Appraised Value. Thus, a low ratio of Captured Appraised Value to taxable value could result in significant decreases in the TIRZ Increments produced in the event that there is a decrease in taxable value within the TIRZ.

Risk of Higher Priority Debt

The obligations of the Participants to pay TIRZ Increments into the Tax Increment Fund are subject to the rights of any of the holders of bonds, notes or other obligations that have been issued by the Participants that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the Participants. If taxable values in the respective jurisdictions decline so that the respective Participants cannot pay its outstanding tax-supported indebtedness without use of the TIRZ Increments, there may be insufficient remaining TIRZ Increments to be deposited to the Tax Increment Fund.

Changes in Tax Increment Legislation

Current law may change so as to directly or indirectly reduce or eliminate the amount of TIRZ Increments available for deposit to the Tax Increment Fund. The Texas Legislature meets biennially in odd numbered years and may make changes to the TIRZ Act.

Dependence on Collection of TIRZ Increments

Effective July 6, 2020 the District entered into an Amended and Restated Master Development Agreement (the "Master Development Agreement") with the City, the Board of Directors of Reinvestment Zone Number Thirteen, City of Mesquite, Texas (the "TIRZ") and the Developer (defined herein) whereby the City will reimburse certain District costs in accordance with the Amended Project Plan and Reinvestment Zone Financing Plan, duly approved by the City pursuant to Ordinance No. 4790 (the "Amended TIRZ Plan"). The City has entered into an Agreement to Participate in Tax Increment Reinvestment Zone Number Thirteen, City of Mesquite Texas (Spradley Farms), dated September 21, 2020, as may have been amended from time to time with the County (the "TIRZ Participation Agreement"), pursuant to which the County has agreed to annually deposit into the Tax Increment Fund the County Increment (defined below). The Amended TIRZ Plan provides for the City to rebate 60% of the ad valorem property taxes levied and collected by the City for a given year on the Captured Appraised Value (herein defined) within the District until December 31, 2064, or the date the District has received bond proceeds or Available TIRZ Revenues (as defined in the Master Development Agreement) of \$159,000,000 (the "TIRZ Cap", and the increment received from the City, the "City Increment"). The TIRZ Participation Agreement provides for the County to rebate 55% of its ad valorem property taxes (not including the road & bridge tax rate or debt Service Tax Rate) levied and collected by the County for a given year on the Captured Appraised Value within the TIRZ until the earlier of 35 years (beginning with tax year 2020), or the date on which the increment fund has received an aggregate amount of \$159,000,000. The City Increment and the County Increment are referred to collectively herein as the "TIRZ Increments." The City and the County are herein referred to as the "Participants" of the TIRZ. The captured appraised value of real property taxable by the Participants for a given year is the total appraised value of all real property located in

the TIRZ for that year less the base value (the “Captured Appraised Value”). The base value is the total appraised value of all real property located in the TIRZ that is taxable by the Participants as of January 1, 2019, the year in which the TIRZ was designated as such under Chapter 311 of the Texas Tax Code (the “Base Value”). Pursuant to the Master Development Agreement, the TIRZ Revenues (herein defined) will be used by the District to pay for the design and construction of the District’s Road System, Utility System and certain open-space improvements, or to pay debt service on bonds issued by the District for such purposes. See “THE BONDS – Source of Payment.”

TIRZ Revenues are expected to be sufficient in amount to pay the majority of the principal and interest on the Bonds and the District will levy an annual ad valorem tax in connection with the remaining debt service on the Bonds over the life of the Bonds; however, while the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy, assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal and interest on the Bonds with full allowance being made for inadequate TIRZ Revenues, delinquencies and costs of collection. In the Bond Resolution, the District covenants that proceeds of said tax are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. The District reserves the right to use any Excess TIRZ Revenues in the Tax Increment Fund from year to year for any other purpose allowed by law, the Final TIRZ Plan, and the Master Development Agreement.

Vacant Developed Lots

As of May 1, 2026, approximately 371 developed lots within the District remained available for construction. Failure of the Developer and/or builders 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 the District 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.

Operating Funds

The District’s only source of operating revenue is maintenance tax revenue. The District does not collect water and wastewater revenues from its residents. The District levied a 2025 maintenance tax of \$0.54 per \$100 of assessed valuation. The District’s general fund balance as of April 21, 2026 was \$123,037. The revenue produced from a \$0.54 maintenance tax in 2025 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within six (6) months of foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure). 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. The District’s lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

Future Debt

At an election held within the District on May 7, 2022, voters of the District authorized the District's issuance of \$221,155,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sewer and drainage facilities to serve the District (the "Utility System"); \$206,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"); \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds constitute the first series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing the Utility System. Following the issuance of the Bonds, \$217,110,000 principal amount of unlimited tax bonds for the Utility System; \$206,160,000 principal amount of unlimited tax bonds for the Road System; \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds

previously issued for the Utility System; and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System will remain authorized but unissued.

Based on current calculations and information available and provided to date, after reimbursement with the proceeds of the Bonds, the District will still owe the Developer approximately \$13,493,600 for the current expenditures related to the construction of the Utility System and \$1,500,000 for the current expenditures related to the construction of the Road System on behalf of the District.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities.

All of the remaining bonds that have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such bonds for the Utility System is subject to the prior approval of the TCEQ; however; the District's issuance of bonds for the Road System, is not subject to approval of the TCEQ.

The District anticipates issuing a series of road bonds in calendar year 2026. The par amount of such bonds has not yet been finalized.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Marketability of the Bonds

The District has no understanding with the winning bidder for 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Dissolution

The City Council of the City, by a vote of not less than two-thirds of its membership, may adopt an ordinance dissolving the District. On the adoption of such ordinance, the District would be dissolved, and the City would succeed to the property and assets of the District and assume all bonds, debts, obligations, and liabilities of the District, including the Bonds. Dissolution of the District is within the policymaking discretion of the City, and

no assurances can be made with respect to the City's ability to meet its obligations, including payment of the Bonds upon dissolution..

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Dallas-Fort Worth area. Under the Clean Air Act ("CAA") Amendments of 1990, a ten-county Dallas-Fort Worth area ("2008 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Kaufman, and Wise Counties – has been designated a "severe" nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area ("2015 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Kaufman, and Wise Counties has been designated a "moderate" nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the "2015 Ozone Standard"), with an attainment deadline of August 3, 2024.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development.

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

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

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

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Mesquite (the “City”), to participate in the City’s program to develop, implement, and maintain the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City’s MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

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

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, 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 in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Reappraisal of Property after Disaster."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Changes in Tax Legislation

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

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the Developer or homebuilders in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the construction of utility and road facilities and homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

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 certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon request to Allen Boone Humphries Robinson LLP, Dallas, Texas, Bond Counsel. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds are dated July 1, 2026, with interest payable on March 1, 2027, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on September 1 of the years and in the amounts shown on the inside cover page of the Official Statement and

interest on the Bonds accrues from the initial date of delivery (on or about July 22, 2026) (the “Delivery Date”), and thereafter from the most recent Interest Payment Date to which interest has been paid.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and 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-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” below.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the last known address of such Registered Owner as shown on the Register.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment will be the next succeeding business day with the same effect as if made on the specified date for such payment.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Successor Paying Agent/Registrar

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

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month next preceding such Interest Payment Date.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. See "Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Redemption Provisions

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

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Registered Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. ANY SUCH NOTICE WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Mandatory Redemption: The Bonds maturing on September 1 in the years 2036, 2038, 2041, 2043, 2045, 2047, 2050 and 2055 are term bonds (the "Term Bonds"), and shall be redeemed by lot or other customary method

of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (“Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$195,000 Term Bonds Maturing on September 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$ 95,000
September 1, 2036 (Maturity)	\$ 100,000

\$220,000 Term Bonds Maturing on September 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$ 105,000
September 1, 2038 (Maturity)	\$ 115,000

\$375,000 Term Bonds Maturing on September 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2039	\$ 120,000
September 1, 2040	\$ 125,000
September 1, 2041 (Maturity)	\$ 130,000

\$280,000 Term Bonds Maturing on September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$ 135,000
September 1, 2043 (Maturity)	\$ 145,000

\$310,000 Term Bonds Maturing on September 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2044	\$ 150,000
September 1, 2045 (Maturity)	\$ 160,000

\$340,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2046	\$ 165,000
September 1, 2047 (Maturity)	\$ 175,000

\$580,000 Term Bonds Maturing on September 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2048	\$ 185,000
September 1, 2049	\$ 195,000
September 1, 2050 (Maturity)	\$ 200,000

\$1,175,000 Term Bonds Maturing on September 1, 2055

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2051	\$ 210,000
September 1, 2052	\$ 225,000
September 1, 2053	\$ 235,000
September 1, 2054	\$ 245,000
September 1, 2055 (Maturity)	\$ 260,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least thirty (30) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have

been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirements.

Source of Payment

Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the City; or any entity other than the District.

The City has created a tax increment fund into which the TIRZ Increments (herein defined) shall be deposited (the "Tax Increment Fund"). The City has entered into a TIRZ Participation Agreement with the County, pursuant to which each taxing entity has agreed to deposit annually the TIRZ Increments to the Tax Increment Fund. The portion of TIRZ Increments deposited each year to the Tax Increment Fund which portion is attributable to ad valorem taxation of property within the District, net of any operating costs of the TIRZ, is referred to herein as the "TIRZ Revenues." Amounts paid to the District under the TIRZ Participation Agreement (hereinafter defined) are not pledged to the payment of the Bonds but are lawfully available to pay debt service. See "TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS."

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place or payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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

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

Registered Owners' Remedies

The Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due or defaults in the observance or performance of any of the other covenants or obligations in the Bond Resolution which default materially and adversely affects the rights of the Registered Owners, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction (or take similar action) compelling and requiring the District to make such payments or to observe and perform such covenants and obligations. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus (and similar actions), the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "RISK FACTORS – Bankruptcy Limitation to Registered Owners' Rights."

Authority for Issuance

The Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the "TCEQ"); (ii) a resolution of the District's Board of Directors authorizing the issuance of the Bonds (the "Bond Resolution"); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 of the Texas Water Code, as amended, Chapter 375 of the Texas Local Government Code, as amended; and (iv) the election held for the District on May 7, 2022.

Payment Record

The Bonds are the first series of unlimited tax bonds issued by the District.

Issuance of Additional Debt

The Bonds constitute the first series of unlimited tax bonds issued by the District for the Utility System. At an election held for the District on May 7, 2022, voters of the District authorized the District's issuance of \$221,155,000 principal amount of unlimited tax bonds for the Utility System; \$206,160,000 principal amount of unlimited tax bonds for the purpose of the Road System; \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, \$217,110,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$206,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$221,155,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System; and \$206,160,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System, will remain authorized but unissued. According to the Engineer, the remaining bonds authorized will be sufficient to finance all reimbursable costs of improvements required to fully develop the District.

Based on current calculations and information available and provided to date, after reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$1,500,000 for the current expenditures related to the construction of the Road System and \$13,493,600 for the current expenditures related to the construction of the Utility System on behalf of the District.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Bonds issued for the Utility System are required to be approved by the TCEQ.

The District anticipates issuing a series of road bonds in calendar year 2026. The par amount of such bonds has not yet been finalized.

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
May 7, 2022	Utility System	\$ 221,155,000	\$ 4,045,000 ^(a)	\$ 217,110,000
May 7, 2022	Road System	206,160,000	-	206,160,000
May 7, 2022	Utility System Refunding	221,155,000	-	221,155,000
May 7, 2022	Road System Refunding	206,160,000	-	206,160,000

(a) The Bonds.

No Arbitrage

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

Funds

The Bond Resolution establishes the Utility Bonds Debt Service Fund, the District’s fund for debt service on the Bonds. Eighteen (18) months of capitalized interest on the Bonds will be deposited into the Series 2026 Utility Bonds Debt Service Fund, which constitutes a fund for the benefit of the owners of the Bonds. Such fund will be kept separate from all other funds of the District and is to be used solely for payment of debt service on the Bonds. Amounts on deposit in the Utility Bonds Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Amendments to the Bond Resolution

The District may, without consent of or notice to any Registered Owners, from time to time and at any time, amend the Bond Resolution in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Registered Owners of outstanding bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by Registered Owners for consent to any such amendment, addition, or rescission.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used by the District to pay certain costs relating to the Utility System, including developer interest, and to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the costs of the water, wastewater, and drainage improvements and related costs. Additionally, proceeds from the sale of the Bonds will be used to pay BAN interest, to pay eighteen (18) months of capitalized interest on the Bonds, developer interest, creation expenses and certain costs associated with the issuance of the Bonds.

Construction Costs	District's Share
A. Off-Site Wastewater Line	\$ 2,513,400
Total Construction Costs	\$ 2,513,400
Non-Construction Costs	
A. Legal Fees	\$ 116,125
B. Fiscal Agent Fees	80,900
C. Interest	
D. 1. Capitalized Interest (18 Months)	283,256
2. BAN Interest	65,650
3. Developer Interest	413,450
E. Bond Discount (3.00%)	121,350
F. Bond Issuance Expenses	47,457
G. BAN Issuance Expenses	59,795
H. Bond Engineering Fee	50,000
I. Creation Expenses	145,334
J. Market Study	19,250
K. Attorney General Fee (0.10% or \$9,500 max)	4,045
L. TCEQ Fee	10,113
M. Contingency (a)	114,875
Total Non-Construction Costs	\$ 1,531,600
 TOTAL BOND ISSUE REQUIREMENT	 \$ 4,045,000

(a) Represents the difference between actual and allotted capitalized interest and BAN interest.

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. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, subject to approval by the TCEQ

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THE DISTRICT

General

The District is a conservation and reclamation district of the State, created pursuant to an order of the Texas Commission on Environmental Quality issued August 19, 2019, operating pursuant to Article III, Section 52 and 52(a) and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 of the Texas Water Code, as amended, and Chapter 375 of the Texas Local Government Code, as amended (the “MMD Act”).

Authority

The District has powers conferred by the MMD Act, including those under Chapter 49, Texas Water Code, and is empowered, among other things, to acquire, construct, complete, develop, own, operate and maintain permanent improvements and provide services that directly benefit property in the District, regardless of whether the improvements or services are located inside or outside its boundaries, including water, sanitary sewer, drainage and road improvements. The MMD Act provides that the District has the power to issue bonds to pay costs of improvements authorized under the MMD Act and to secure such bonds with ad valorem taxes, assessments, impact fees, contracts, or other revenue sources of the District. The MMD Act further provides that the District collect a continuing, direct annual ad valorem tax, without limit as to rate or amount, against all property located within the District to secure bonds of the District.

Location of the District

The District encompasses approximately 621.995 acres of land located entirely within the corporate limits of the City and is located approximately 22 miles east of downtown Dallas, Texas and within the County. The District is comprised of two (2) tracts: The District is comprised of two tracts. The southern tract is bound by US Interstate 20 on the north, and FM Road 2757 on the southwest. The northern tract is bound on the south by US Interstate 20. The District lies entirely within the boundaries of Tax Increment Reinvestment Zone No. 13, City of Mesquite, Texas and Forney Independent School District.

Management of the District

The District is governed by a Board of Directors (the “Board”), consisting of five directors, who have control over and management supervision of all affairs of the District (the “Directors”). The Directors serve four-year staggered terms and are appointed by the governing body of the City. Currently, none of the Directors resides within the District and all Directors own land within the District. None of the Directors are employed by the Developer or any entity affiliated with the Developer. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires August</u>
Stan Pickett	President	2029
Carolyn Miller Stoddard	Vice President	2027
Jennifer Salazar	Secretary	2027
Robert Kearns	Assistant Secretary	2027
Samuel Ovalle	Assistant Secretary	2029

Investment Policy

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

Consultants

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

General Counsel & Bond Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Dallas, Texas, as General Counsel to the District and Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel relating to the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

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

Tax Assessor/Collector: The District's Tax Assessor/Collector is the Kaufman County Tax Office.

Bookkeeper: The District’s bookkeeper is Dye & Toverly, LLC. (the “Bookkeeper”).

Auditor: The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended April 30, 2026. The District’s audited financial statements for the fiscal year ended April 30, 2025 are attached as “APPENDIX A” to this Official Statement.

District Engineer: The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is Graham Associates, Inc. (the “District Engineer”).

Consulting Engineer: The District has also engaged Jones-Heroy & Associates, Inc. as its Consulting Engineer in connection with the bond issue.

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Historical Operations of the Utility System

The following is a summary of the District's Operating Fund. The figures for the fiscal year ending April 30 in the year 2025, were obtained from the District's annual financial reports, reference to which is hereby made. The figures for the fiscal year ending April 30, 2026 were obtained from the District's Bookkeeper. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ending April 30, <u>2026 (a)</u>	Fiscal Year Ending April 30, <u>2025</u>
REVENUES:		
Property Taxes	\$ 189,860	\$ 10,244
Penalty and Interest	920	37
TOTAL REVENUES	<u>\$ 190,780</u>	<u>\$ 10,281</u>
EXPENDITURES:		
Professional Fees	\$ 187,193	\$ 141,847
Contract Services	11,579	17,753
Other	1,664	3,344
TOTAL EXPENDITURES	<u>\$ 200,436</u>	<u>\$ 162,944</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,656)</u>	<u>\$ (152,663)</u>
OTHER FINANCING SOURCES:		
Developer Advances	\$ 167,578	\$ 171,431
Beginning Fund Balance	\$ (11,629)	\$ (30,397)
Ending Fund Balance	\$ 146,293	\$ (11,629)

(a) Unaudited.

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District consists of approximately 621.995 total acres. To date, approximately 96.810 acres have been developed as 460 single-family lots within Talia Phase 1A and Phase 1B. As of May 1, 2026, the District included approximately 65 completed homes (approximately 34 occupied, 23 unoccupied, and 8 model home); approximately 24 homes under construction; and approximately 371 vacant developed lots. See “RISK FACTORS – Vacant Developed Lots.” Additionally, approximately 3.310 acres are actively in development and under construction for a new fire station and elevated water storage tank.

The remaining land in the District includes approximately 374.002 acres planned for development as additional single-family residential sections; approximately 3.506 acres on which an amenity center will be constructed; approximately 11.685 acres designated for an elementary school; and approximately 132.682 acres that are undevelopable.

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

Section	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Phase 1A	50.894	262	65	24	173
Phase 1B	45.916	198	-	-	198
Totals	96.810	460	65	24	371
Remaining Residential Developable	374.002				
Fire Station	3.310				
School Site	11.685				
Amenity Center	3.506				
Undevelopable	<u>132.682</u>				
District Total	621.995				

Homebuilders within the District

The homebuilders currently active in the District are Weekley Homes, Cadence Homes, Drees Homes, Chesmar Homes, and Highland Homes. New homes being constructed in the District range in price from approximately \$241,990 to \$525,900 and range in size from approximately 1,321 square feet to 3,841 square feet.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(May 2026)**



PHOTOGRAPHS TAKEN IN THE DISTRICT
(May 2026)



THE DEVELOPER/PRINCIPAL LANDOWNER

The Role of a Developer

In general, the activities of a landowner or developer in a district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

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

None of the Developer, or any affiliate entities, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or their affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Description of the Developer/Principal Landowner

CH TNC Mesquite Owner, LP (the "Developer") is a Delaware limited partnership. Developer has engaged Nehemiah Real Estate Advisors, LLC ("Nehemiah"), a Texas Limited Liability Company, for the development of the project. Nehemiah is in the business of managing and developing real property, including residential communities. The Developer is a single purpose entity formed and capitalized for the purpose of developing the land it owns in the District. The Developer is a thinly capitalized limited liability company whose assets consist primarily of land within the District and receivables from the District for development costs. The Developer is currently operating with net revenues. To date, the Developer continues to own approximately 541.68 acres within the District.

Development Financing

In connection with the acquisition of Phases 1A and 1B land, the Developer obtained a development loan from First United Bank and Trust Company, secured by the property it owns within the District and additional land owned by the Developer within the District. The development loan has a maximum principal balance of \$22,500,000.00 of which \$14,504,034.16 was outstanding as of May 1, 2026, and matures on September, 2026. According to the Developer, it is in compliance with all material conditions of the loan.

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Lot Sales Contracts

The Developer has entered into lot sales contracts with each of Weekley Homes, Cadence Homes, Drees Homes, Chesmar Homes, and Highland Homes. The contracts for the sale of lots between the Developer and the builders require each homebuilder to deposit earnest money in amounts of 10% of the contracted lot price.

According to the Developer, each of the builders are in substantial compliance with their respective lot sale contracts. As of May 1, 2026, the total number of lots contracted and purchased by each builder is listed below:

<u>Homebuilder</u>	<u>Total Lots Contracted</u>	<u>Total Lots Purchased</u>
Weekley Homes	117	37
Cadance Homes	114	17
Drees Homes	24	24
Chesmar Homes	39	22
Highland Homes	97	25
Uncontracted	69	-
Totals	460	125

Construction and Reimbursement Agreements

The District is a party to agreements for the construction and purchase of facilities and reimbursement for costs and amendment thereto with the Developer, which define the conditions under which the District will issue additional bonds to reimburse the Developer for the water, wastewater, drainage and roadway facilities within and outside the District. Under the terms of the agreement, the District has agreed to repay the cost of facilities through a series of bond sales over time. The District's obligation to issue bonds and reimburse the Developer for funds advanced for facilities is subject to various conditions, including approval of such facilities and bonds by the TCEQ, as required by the rules of the TCEQ, approval of the bonds by the Attorney General of Texas, and the recommendation of the District's financial advisor that the sale of the bonds is feasible and prudent.

THE ROAD SYSTEM

The District's Road System will be funded with proceeds of bonds issued for the Road System. See "RISK FACTORS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the City and the Texas Department of Transportation. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime-stabilized subgrade. Remaining streets provide local interior service within the District. The District's road facilities will, upon completion, be conveyed to the City and will be maintained by the City. The Road System also includes streetlights, landscape, and irrigation. Public utilities such as water, wastewater, and storm drainage are typically located within street rights-of-way.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, Texas, and the City. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the Utility System

Water Supply

Water supply for the District is provided by the City of Mesquite (the City). The District is located fully within the corporate limits of the City, therefore the residents receive water directly from the City. The City receives water from the North Texas Municipal Water District. Pursuant to the City rate order, the homebuilders pay water impact fees to the City. The District's water supply is capable of serving the ultimate buildout of 2,540 ESFCs.

Wastewater Treatment

Wastewater treatment for the District is provided by the City. The District is located entirely within the corporate limits, therefore the District residents receive wastewater service directly from the City. The City receives wastewater service from the South Mesquite Creek Water Regional WWTP, owned by North Texas Municipal Water Authority, under TDPEs Permit No. WQ0010221001, with a capacity of 33 MGD and is in the process of expanding to 41 MGD. Pursuant to the City rate order, the homebuilders pay wastewater impact fees to the City. The District's wastewater supply is capable of serving the ultimate buildout of 2,540 ESFCs.

Drainage

Both tracts of the District naturally drain to the south into existing Soil Conservation Service Reservoirs, and on to the East Fork of the Trinity River. Rainwater flows to curb and gutter streets to an underground storm sewer collection system to detention ponds or natural drainage ways before being released Soil Conservation Reservoirs and on to the East Fork of the Trinity River.

100-Year Flood Plain

Approximately 38.544 acres within the District lie within the FEMA 100-year flood plain. None of such acreage will be used for development.

Atlas 14

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

TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS

On September 16, 2019, the City, pursuant to City Ordinance No. 4713, created Reinvestment Zone Number Thirteen, City of Mesquite, Texas (the "TIRZ") for the purpose of promoting residential growth in the southeastern portion of the City. The City later approved Ordinance No. 4790 on July 6, 2020, adopting an Amended Project Plan and Reinvestment Zone Financing Plan (the "Amended TIRZ Plan") to increase the participation term and revise the participation percentage and maximum reimbursement amounts from the Participants of the TIRZ. The City, then, pursuant to Ordinance No. 4833 adopted by the City on December 19, 2020, increased the size of the Board of Directors of the TIRZ to allow for County appointees. and The TIRZ currently encompasses approximately 652 acres within the corporate limits of the City, and the TIRZ includes all land within the District.

Effective July 6, 2020, the District entered into an Amended and Restated Master Development Agreement (the "Master Development Agreement") with the City, the TIRZ and the Developer. The Master Development Agreement addresses the development of the District, the financing of public infrastructure related thereto, including the Utility System and the Road System, and the availability and use of tax increments produced within the TIRZ.

General Statutory Requirements for Tax Increment Reinvestment Zones in Texas

A tax increment reinvestment zone under the TIRZ Act is created by a city, which also approves a project plan and financing plan for a zone. The ordinance creating a zone and the plans may provide that the city will deposit all or a portion of its Tax Increment into a tax increment fund established by the city for a zone. Other taxing units which tax property in a zone may agree with the city that they will also deposit all or a portion of their Tax Increment into the tax increment fund established for a zone. Pursuant to the Master Development Agreement, the City holds and maintains the Tax Increment Fund.

The amount of a taxing unit's tax increment for a year is the amount of property taxes levied and collected by a taxing unit for that year on the Captured Appraised Value of real property taxable by a taxing unit and located in a zone. The Captured Appraised Value of real property taxable by a taxing unit for a year is the total appraised value of all real property taxable by the taxing unit and located in a zone for that year less the total appraised value of all real property taxable by a taxing unit and located in a zone in the year in which a zone was

designated as such under the TIRZ Act (the “Base Value”). In the event a zone is enlarged by ordinance or resolution of a city, the Tax Increment Base for added property is the value of all real property taxable by a taxing unit and located in the added area in the year of enlargement and in the event the boundaries of a zone are reduced, the Tax Increment Base is reduced by the taxable value of the real property removed from a zone for the year in which the property was originally included in a zone’s boundaries.

The TIRZ Act provides that each taxing unit that participates in a zone is required to pay into the tax increment fund for a zone the collected Tax Increment that it has agreed to pay under its agreement with a city and in accordance with the project plan. The TIRZ Act provides that the payment by a participating taxing unit is to be made into the tax increment fund not later than the 90th day after the later of: (i) the delinquency date for such taxing unit’s property taxes or (ii) the date a city submits to a taxing unit an invoice specifying the Tax Increment produced by such taxing unit and the amount the taxing unit is required to pay into the tax increment fund for a zone.

Section 311.0123 of the TIRZ Act permits a city to also designate a portion or amount of tax increment generated from municipal sales and use taxes attributable to a zone above the sales tax base similar to that done for taxable real property. No sales tax will be utilized as a source of payment for the Bonds.

Calculation of Tax Increment for the TIRZ

Pursuant to the Master Development Agreement and the Amended TIRZ Plan, the City has agreed to dedicate and make available to the District the TIRZ Increments attributable to ad valorem taxation of property within the District for use to pay for certain public improvements, including the payment of debt service obligations on bonds, including the Bonds, or other obligations issued or incurred by the District to finance the payment of such improvements. The Master Development Agreement provides for the City to rebate 60% of the ad valorem property taxes levied and collected by the City for a given year on the Captured Appraised Value within the District until December 31, 2065 or until the Developer has received \$159,000,000 in Bond Proceeds (as defined in the Master Developer Agreement) or Available TIRZ Revenues (as defined in the Master Development Agreements) for the reimbursement of project costs. The Tax Participation Agreement provides for the County to rebate 55% of the maintenance and operations portion of the ad valorem property taxes levied and collected by the County for a given year on the Captured Appraised Value within the TIRZ until the earlier of December 31, 2055, or the date the County and the City have, combined, have a contribution into the TIRZ Fund of \$159,000,000. TIRZ Increments are calculated by multiplying the Captured Appraised Value by their respective tax rate per \$100 of valuation for the tax year, then multiplying that product by the Participants’ collection percentage, and then multiplying that product by its rate of participation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the TIRZ to the total taxes due for the tax year from all real property in the TIRZ.

The obligation of the Participants to pay the TIRZ Increments into the Tax Increment Fund is subject to the rights of any holders of bonds, notes or other obligations that have been or are hereafter issued by the City that are payable from or secured by a general levy of ad valorem taxes through the tax jurisdiction of the City, as applicable.

TIRZ Base Value

The table below shows the base value applicable to the District for the District (January 1, 2020 taxable value) as stated in the amended and restated TIRZ Project and Finance Plan.

	<u>Value</u>
January 1, 2020 (Base Year)	\$ 76,740

TIRZ Term

The table below shows the term applicable to each Participant as stated in the amended and restated TIRZ Project and Finance Plan.

	<u>City</u>	<u>County</u>
Term	45 Years	35 Years
Final TIRZ Year	2065	2055
Final TIRZ Payment Received	2066	2056

Participating Taxing Units

As discussed above, the TIRZ Increments received from the Participants will be paid into the Tax Increment Fund and used to pay project costs within the TIRZ, including, without limitation, debt service on District Bonds and any other obligations issued to finance project costs in the TIRZ. The TIRZ revenues are not pledged to pay debt service on the Bonds but are lawfully available for such purposes. The Participants are not required under State law to set a tax rate sufficient to assure any certain dollar amount of TIRZ Increments; rather, State law only requires the Participants to contribute TIRZ Increments actually collected by it and only to the extent provided in the Master Development Agreement.

Estimated TIRZ Increments – Tax Year 2025

The Financial Advisor has provided the following information related to the estimated Tax Increments for Tax Year 2025 for the TIRZ.

	<u>City</u>	<u>County</u>
January 1, 2020 (Base Year)	\$ 76,740	\$ 76,740
January 1, 2025 Taxable Assessed Valuation	\$ 35,763,963	\$ 35,763,963
Participation Rate	60%	55%
Estimated Exemptions	5%	3%
Participation Cap ^(a)	\$ -	\$ 159,000,000
Reimbursement Cap	\$ 159,000,000	\$ -
Participation to Date ^(b)	\$ 15,392	\$ 5,717
Estimated 2025 Captured Value for TIRZ	\$ 33,899,025	\$ 34,614,304
2025 Tax Rate	\$ 0.730000	\$ 0.2777726
Estimated Collection Rates	100%	100%
Total Estimated Tax Increments	<u>\$ 148,478</u>	<u>\$ 52,873</u>

(a) County participation cap based on combined county and city participation

(b) As of May 15, 2026

Historical TIRZ Increment Collections

The table below summarizes the historical TIRZ Increments collected and deposited into the Tax Increment Fund by the City for each of the Participants, pursuant to the Master Development Agreement (as discussed below) and TIRZ Participation Agreement.

<u>Tax Year</u>	<u>Collection Year</u>	<u>City</u>	<u>County</u>	<u>Total</u>
2023	2024	\$ 7,538	\$ 2,800	\$ 10,338
2024	2025	7,854	2,917	10,771
2025	2026 ^(a)	<u>148,478</u>	<u>52,873</u>	<u>201,351</u>
		\$ 163,870	\$ 58,590	\$ 222,460

(a) See "Estimated TIRZ Increments – Tax Year 2025" above.

MASTER DEVELOPMENT AGREEMENT

On Construction, Ownership and Maintenance of TIRZ Improvements

The Master Development Agreement provides for the construction, financing, ownership and maintenance of public improvements serving the District. Upon the District's completion of any such improvements, the improvements generally are conveyed to the City for ownership and maintenance, except for open-space and public landscaping improvements, which the District will maintain in conjunction with the homeowners' association. Pursuant to the Master Development Agreement, the TIRZ Revenues will be used by the District to

pay for the design and construction of the District's Road System, Utility System and certain open-space improvements, or to pay debt service on bonds issued by the District for such purposes.

Tax Increment Fund

The Master Development Agreement provides for a Tax Increment Fund created and maintained by the City, into which the TIRZ Increments are required to be deposited at least annually. In the Master Development Agreement, the City and the TIRZ grant, dedicate, pledge or otherwise provide and make available to the District the TIRZ Revenues for the purposes set forth therein. Further, under the Master Development Agreement, the City shall, at all times, comply with the provisions of the TIRZ Participation Agreement and take no action that would entitle any of the other Participants to suspend payment of their respective Tax Increments into the Tax Increment Fund.

Participant Obligations

The City's obligation to make the City Increment payments under the Master Development Agreement is limited by term; and the other Participants' obligations to make their respective TIRZ Increment payments under the TIRZ Participation Agreement are limited by term and amount. See "TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS - Calculation of Tax Increment for the TIRZ."

Remedies in the Event of Default

If a party to the Master Development Agreement is in default, the sole and exclusive remedy available to the non-defaulting parties is to seek the equitable remedy of specific enforcement of the Master Development Agreement through a mandamus action or other appropriate means.

Amended TIRZ Plan

On July 6, 2020, the City adopted approved an amended project plan and reinvestment zone financing plan pursuant to City Ordinance No. 4790 (the "Amended TIRZ Plan"). The Amended TIRZ Plan includes the list of public improvements eligible for TIRZ funding (i.e., payable from TIRZ Revenues), which consists generally of water, sanitary sewer and drainage improvements, road facilities and open-space improvements.

Provision of Water Supply and Sanitary Sewer Services to Users within the District

Upon the District's completion of construction of water and wastewater infrastructure to serve the District, such infrastructure is conveyed to the City for ownership, operation, and maintenance. All end users/customers of such services within the boundaries of the District are customers of the City. The City will bill such customers according to the City's rate order and revenue derived from such operations shall belong solely to the City.

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DISTRICT DEBT

2025 Taxable Assessed Valuation.....	\$ 35,763,963	(a)
2026 Preliminary Assessed Valuation	\$ 43,586,178	(b)
Estimate of Value as of May 1, 2026	\$ 64,208,477	(c)
Direct Debt:		
The Bonds.....	<u>\$ 4,045,000</u>	
Total Direct Debt.....	\$ 4,045,000	
Estimated Overlapping Debt	<u>\$ 5,058,425</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 9,103,425	
Direct Debt Ratios:		
As a percentage of 2025 Taxable Assessed Valuation	11.31	%
As a percentage of 2026 Preliminary Assessed Valuation.....	9.28	%
As a percentage of Estimate of Value as of May 1, 2026.....	6.30	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2025 Taxable Assessed Valuation	25.45	%
As a percentage of 2026 Preliminary Assessed Valuation.....	20.89	%
As a percentage of Estimate of Value as of May 1, 2026.....	14.18	%
Utility System Debt Service Fund Balance (as of Delivery Date).....	\$ 283,256	(e)
General Operating Fund Balance (April 21, 2026).....	\$ 123,037	(f)
2025 Tax Rate		
Utility System Debt Service	\$0.00	(g)
Road System Debt Service	\$0.00	
Maintenance & Operation	<u>\$0.54</u>	
Total.....	\$0.54	
Average Annual Debt Service Requirement on the Bonds (2027-2055).....	\$ 264,250	(h)
Maximum Annual Debt Service Requirement on the Bonds (2052).....	\$ 273,250	(h)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay		
Average Annual Debt Service Requirement on the Bonds (2027-2055)		
Based on 2025 Taxable Assessed Valuation.....	\$ 0.78	(i)
Based on 2026 Preliminary Assessed Valuation.....	\$ 0.64	(i)
Based on Estimate of Value as of May 1, 2026	\$ 0.44	(i)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay		
Maximum Annual Debt Service Requirement on the Bonds (2052)		
Based on 2025 Taxable Assessed Valuation.....	\$ 0.81	(i)
Based on 2026 Preliminary Assessed Valuation.....	\$ 0.66	(i)
Based on Estimate of Value as of May 1, 2026	\$ 0.45	(i)

- (a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2025, as provided by the Kaufman Central Appraisal District (the "Appraisal District")
- (b) Provided by the Appraisal District as the preliminary estimate of assessed value as of January 1, 2026. No taxes will be levied on such preliminary estimate of value, which is subject to protest by landowners. See "TAX PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2026 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2025 through May 1, 2026. No taxes will be levied on this estimated value. See "RISK FACTORS - Future Debt."
- (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) Represents eighteen (18) months of capitalized interest to be deposited into the Utility System Debt Service Fund (defined herein) upon closing of the Bonds. Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.
- (f) See "RISK FACTORS - Operating Funds."
- (g) The District anticipates levying its first debt service tax rate for the 2026 tax year.
- (h) See "DISTRICT DEBT - Debt Service Requirement Schedule."
- (i) Represents the amount of the debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District's anticipated use of funds from the TIRZ Revenues (hereinafter defined) for payment of a portion of the debt service on the Bonds. Based on the Participants 2025 tax rates and participation percentage, the District expects to receive revenue of \$201,351 that is expected to be used to pay debt service on the Bonds. While the District intends to use the TIRZ Revenues to pay a portion of the debt service on the Bonds, the TIRZ Revenues are not pledged to the payment of debt service on the Bonds. See "RISK FACTORS - Dependence on Collection of TIRZ Increments," and "TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS."

Estimated Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the 2025 Taxable Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

Taxing Jurisdiction	Outstanding Debt 3/31/2026	Overlapping	
		Percent	Amount
City of Mesquite	\$ 270,425,000	0.09%	\$ 608,018
Kaufman County	200,305,000	0.05%	252,165
Forney Independent School District	1,263,669,911	0.33%	4,198,243
Total Estimated Overlapping Debt			\$ 5,058,425
Direct Debt (a).....			\$ 4,045,000
Total Direct and Estimated Overlapping Debt			\$ 9,103,425

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio (a):

As a percentage of the 2025 Taxable Assessed Valuation.....	11.31 %
As a percentage of the 2026 Preliminary Assessed Valuation	9.28 %
As a percentage of the Estimate of Value as of May 1, 2026.....	6.30 %

Direct and Estimated Overlapping Debt Ratio (a):

As a percentage of the 2025 Taxable Assessed Valuation.....	25.45 %
As a percentage of the 2026 Preliminary Assessed Valuation	20.89 %
As a percentage of the Estimate of Value as of May 1, 2026.....	14.18 %

(a) Includes the Bonds. Such amounts do not reflect the District’s anticipated use of funds from the TIRZ Revenues (hereinafter defined) for payment of a portion of the debt service on the Bonds. Based on the Participants 2025 tax rates and participation percentage, the District expects to receive revenue of \$201,351 that is expected to be used to pay debt service on the Bonds. While the District intends to use the TIRZ Revenues to pay a portion of the debt service on the Bonds, the TIRZ Revenues are not pledged to the payment of debt service on the Bonds. See “RISK FACTORS – Dependence on Collection of TIRZ Increments,” and “TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS.”

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Debt Service Requirement Schedule

The following schedule sets forth the annual principal and interest requirements of the Bonds.

Calendar Year	Principal	Interest	Debt Service
2027	\$ -	\$ 209,295	\$ 209,295
2028	70,000	188,838	258,838
2029	75,000	186,038	261,038
2030	75,000	183,038	258,038
2031	80,000	180,038	260,038
2032	85,000	176,838	261,838
2033	90,000	172,588	262,588
2034	95,000	168,988	263,988
2035	95,000	165,188	260,188
2036	100,000	161,150	261,150
2037	105,000	156,900	261,900
2038	115,000	152,175	267,175
2039	120,000	147,000	267,000
2040	125,000	141,600	266,600
2041	130,000	135,975	265,975
2042	135,000	130,125	265,125
2043	145,000	123,881	268,881
2044	150,000	117,175	267,175
2045	160,000	110,050	270,050
2046	165,000	102,450	267,450
2047	175,000	94,613	269,613
2048	185,000	86,300	271,300
2049	195,000	77,513	272,513
2050	200,000	68,250	268,250
2051	210,000	58,750	268,750
2052	225,000	48,250	273,250
2053	235,000	37,000	272,000
2054	245,000	25,250	270,250
2055	260,000	13,000	273,000
Total	\$ 4,045,000	\$ 3,618,251	\$ 7,663,251

Average Annual Debt Service Requirement on the Bonds (2027-2055) \$264,250

Maximum Annual Debt Service Requirement on the Bonds (2052) \$273,250

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of constructing or acquiring the Utility System (see "RISK FACTORS – Future Debt") 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 limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Bonds and any bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. In the Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water, wastewater and drainage system and road system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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

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

Property Subject to Taxation by the District

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

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed 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 was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property

owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has not taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property. The Appraisal District limits increases in the appraised value of residence homesteads to 5 percent annually.

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

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

District and Taxpayer Remedies

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased

property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Tax Abatement

The City and/or the County may designate all or part of the area within the District as a reinvestment zone under Chapter 312, Texas Tax Code. The District, at the option and discretion of the District, and the County and/or City may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. None of the area within the District has been designated as a Chapter 312 reinvestment zone to date, and the District has not approved any such tax abatement agreements.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of 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 of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Reappraisal of Property after Disaster

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of 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 such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS – Tax Collection Limitations" and "– Registered Owners' Remedies."

Tax Payment Installments After Disaster

The Property Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to Chapter 49 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held by 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds for the purpose of acquiring or constructing the Utility System or Road System that may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The District levied a total tax of \$0.54 per \$100 of assessed valuation for the 2025 tax year, composed entirely of a maintenance and operations tax rate.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	Unlimited (no legal limit as to rate or amount).

Debt Service Tax

The Board covenants in the Bond Resolution 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 after taking into consideration any available TIRZ Revenues. The District anticipates levying its first debt service tax in 2026 to pay debt service on the Bonds. See “Tax Rate Distribution” below, “TAXING PROCEDURES,” and “RISK FACTORS.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2025, the District levied a maintenance tax of \$0.54 per \$100 of assessed valuation. See “Tax Rate Distribution” below.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2023 – 2025 tax years:

Tax Year	Adjusted Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 3/31/2026
2023 ^(a)	\$ 1,897,544	\$ 0.540	\$ 10,247	100.00%	2024	100.00%
2024	1,914,593	0.540	10,339	100.00	2025	100.00
2025	35,763,963	0.540	193,125	100.00	2026	100.00

(a) The District levied its first tax rate for the 2023 tax year.

Tax Rate Distribution

	2025	2024	2023
Road System Debt Service	\$0.000	\$0.000	\$0.000
Utility System Debt Service	0.000	0.000	0.000
Maintenance	0.540	0.540	0.540
Total	\$0.540	\$0.540	\$0.540

Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the 2023–2025 tax years by type of property.

Type of Property	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation
Land	\$ 42,806,983	\$ 10,580,070	\$ 10,849,201
Improvements	1,770,736	-	-
Personal Property	62,335	-	-
Exemptions	(8,876,091)	(8,665,477)	(8,951,657)
Total	\$ 35,763,963	\$ 1,914,593	\$ 1,897,544

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2025:

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Value
CH TNC Mesquite Owner LLC (a)	Land & Improvements	\$ 14,736,667	41.21%
Weekley Homes LLC (b)	Land & Improvements	5,936,523	16.60%
Cadence Homes Talia LLC (b)	Land & Improvements	3,028,510	8.47%
Drees Custom Homes LP (b)	Land & Improvements	2,403,038	6.72%
Chesmar Homes LLC (b)	Land & Improvements	2,185,264	6.11%
Highland Homes Dallas LLC (b)	Land & Improvements	1,077,848	3.01%
Homeowner	Land & Improvements	584,570	1.63%
Homeowner	Land & Improvements	483,502	1.35%
Homeowner	Land & Improvements	483,465	1.35%
Homeowner	Land & Improvements	483,143	1.35%
Total		\$ 31,402,530	87.80%

(a) See “THE DEVELOPER/PRINCIPAL LANDOWNER” and “RISK FACTORS – Dependence on Major Taxpayers and the Developer.”
 (b) See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rate per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds, if no growth in the District’s tax base occurs beyond the 2025 Taxable Assessed Valuation (\$35,763,963), 2026 Preliminary Assessed Valuation (\$43,586,178), or the Estimate of Value as of May 1, 2026 (\$64,208,477). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2027-2055).....	\$264,250
Debt Service Tax Rate of \$0.78 on the 2025 Taxable Assessed Valuation produces.....	\$271,806
Debt Service Tax Rate of \$0.64 on the 2026 Preliminary Assessed Valuation produces.....	\$273,285
Debt Service Tax Rate of \$0.44 on the Estimate of Value as of May 1, 2026, produces	\$272,594
Maximum Annual Debt Service Requirement (2052).....	\$273,250
Debt Service Tax Rate of \$0.81 on the 2025 Taxable Assessed Valuation produces.....	\$275,204
Debt Service Tax Rate of \$0.66 on the 2026 Preliminary Assessed Valuation produces.....	\$277,426
Debt Service Tax Rate of \$0.45 on the Estimate of Value as of May 1, 2026, produces	\$278,273

Represents the amount of the debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District’s anticipated use of funds from the TIRZ Revenues (hereinafter defined) for payment of a portion of the debt service on the Bonds. Based on the Participants 2025 tax rates and participation percentage, the District expects to receive revenue of \$201,351 that is expected to be used to pay debt service on the Bonds. While the District intends to use the TIRZ Revenues to pay a portion of the debt service on the Bonds, the TIRZ Revenues are not pledged to the payment of debt service on the Bonds. See “RISK FACTORS – Dependence on Collection of TIRZ Increments,” and “TAX INCREMENT REINVESTMENT ZONE NO. 13, CITY OF MESQUITE, TEXAS.”

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT – Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth on the following page is an estimation of all 2025 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate</u>
The District	\$0.540000
City of Mesquite	0.730000
Forney Independent School District	1.286900
Kaufman County	0.334478
<u>Kaufman County Road & Bridge</u>	<u>0.080635</u>
Total Tax Rate	\$ 2.972013

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System," and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolution approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, Dallas, Texas, serves as Bond Counsel and General Counsel to the District. The legal fees paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds 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.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

THE FOLLOWING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE PURCHASER OF THE BONDS SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (“the Code”) and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the Date of Delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

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

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

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

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition 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 certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption," "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences," and "TAX MATTERS – Additional Federal Income Tax Considerations – Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for SEC Rule 15c2-12 (the "Rule") (d)(2) exemption from SEC Rule (b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolutions, 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 material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information and data to be updated include all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A."

In addition, the District has agreed to provide the information found in "TAX DATA - Principal Taxpayers" with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds to EMMA within such six month period, and audited financial statements when the audit report becomes available. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such persons own more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such persons have made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report becomes available.

The District's fiscal year end is currently April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the

assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emmp.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The Bonds are the District's first issuance of unlimited tax bonds; therefore, the District has not previously entered into any continuing disclosure agreements in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the year ended April 30, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement. The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended April 30, 2026.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER/PRINCIPAL LANDOWNER," and "DEVELOPMENT OF THE DISTRICT" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," and "THE UTILITY SYSTEM" and "THE ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this 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 Purchasers, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers,

unless the Initial Purchasers notify the District in writing 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 customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Spradley Farms Improvement District of Kaufman County as of the date shown on the cover page hereof.

/s/ Stan Pickett
President, Board of Directors
Spradley Farms Improvement District of Kaufman
County

ATTEST:

/s/ Jennifer Salazar
Secretary, Board of Directors
Spradley Farms Improvement District of Kaufman County

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	8
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	10
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	11
NOTES TO THE FINANCIAL STATEMENTS	12-20
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	22
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	24
GENERAL FUND EXPENDITURES	25
TAXES LEVIED AND RECEIVABLE	26-27
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND– ONE YEAR	28
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	29-30

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
Spradley Farms Improvement District
of Kaufman County
Kaufman County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Spradley Farms Improvement District of Kaufman County (the "District"), as of and for the year ended April 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 major fund of the District as of April 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
Spradley Farms Improvement District of Kaufman County

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

March 24, 2026

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

Management’s discussion and analysis of the financial performance of Spradley Farms Improvement District of Kaufman County (the “District”) provides an overview of the District’s financial activities for the year ended April 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District’s assets and liabilities 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 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 one governmental fund type. The General Fund accounts for resources not accounted for in another fund, developer advances, property tax revenues, operating costs and general expenditures.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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 \$590,397 as of April 30, 2025. This is the District’s first audit. In future years a comparative analysis of government-wide changes in net position will be presented.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Statement of Net Position for the year ended April 30, 2025:

	Summary of the Statement of Net Position 2025
Current and Other Assets	\$ 14,255
Intangible Right-to-Use Capital Assets (Net of Accumulated Amortization)	24,647,516
Total Assets	\$ 24,661,771
Due to Developer	\$ 25,226,379
Other Liabilities	25,789
Total Liabilities	\$ 25,252,168
Net Position:	
Net Investment in Capital Assets	\$ (238,867)
Unrestricted	(351,530)
Total Net Position	\$ (590,397)

The following table provides a summary of the District's operations for the year ended April 30, 2025, which is the initial audit period for the District.

	Summary of the Statement of Activities 2025
Revenues:	
Property Taxes	\$ 10,339
Other Revenues	37
Total Revenues	\$ 10,376
Total Expenses	401,811
Change in Net Position	\$ (391,435)
Net Position, Beginning	(198,962)
Net Position, Ending	\$ (590,397)

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance increased by \$18,768 due to property tax revenues and developer advances exceeding operating and administrative costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues were \$145 more than budgeted revenues, actual expenditures were \$482 less than budgeted expenditures, and actual developer advances were \$19,105 more than budgeted advances. This resulted in a positive budget variance of \$18,768. See the budget to actual comparison for more information.

INTANGIBLE RIGHT-TO-USE CAPITAL ASSETS

The City of Mesquite, Texas has accepted ownership, operation, and maintenance responsibilities for certain utilities and road infrastructure located within the District which are used to provide services to users within the District (see Notes 5 and 8). The value of such assets that were completed as of year end totaled \$24,647,516. The District records such assets as intangible right-to-use capital assets in its financial statements.

LONG-TERM DEBT

The Developer, on behalf of the District, has made operating advances as well as paid for the construction of certain completed infrastructure totaling \$25,226,379 which the District is obligated to reimburse the Developer using proceeds of future bond sales or other lawfully available funds (see Note 7).

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 Spradley Farms Improvement District of Kaufman County, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
APRIL 30, 2025**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 14,160	\$	\$ 14,160
Property Taxes Receivable	95		95
Intangible Right-to-Use Capital Assets (Net of Accumulated Amortization)		24,647,516	24,647,516
TOTAL ASSETS	\$ 14,255	\$ 24,647,516	\$ 24,661,771
LIABILITIES			
Accounts Payable	\$ 25,789	\$	\$ 25,789
Due to Developer		25,226,379	25,226,379
TOTAL LIABILITIES	\$ 25,789	\$ 25,226,379	\$ 25,252,168
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 95	\$ (95)	\$ -0-
FUND BALANCE			
Unassigned	\$ (11,629)	\$ 11,629	\$ -0-
TOTAL FUND BALANCE	\$ (11,629)	\$ 11,629	\$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 14,255		
NET POSITION			
Net Investment in Capital Assets		\$ (238,867)	\$ (238,867)
Unrestricted		(351,530)	(351,530)
TOTAL NET POSITION		\$ (590,397)	\$ (590,397)

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

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2025**

Total Fund Balance - Governmental Fund	\$	(11,629)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Intangible right-to-use capital assets are recorded in governmental activities.		24,647,516
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Deferred inflows of resources related to property tax revenues for the 2024 tax levy became part of recognized revenue in the governmental activities of the District.		95
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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	\$ (25,226,379)	<u>(25,226,379)</u>
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Total Net Position - Governmental Activities	\$	<u>(590,397)</u>
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The accompanying notes to the financial statements are an integral part of this report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY**
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED APRIL 30, 2025**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 10,244	\$ 95	\$ 10,339
Penalty, Interest and Other	<u>37</u>	<u> </u>	<u>37</u>
TOTAL REVENUES	<u>\$ 10,281</u>	<u>\$ 95</u>	<u>\$ 10,376</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 141,847	\$	\$ 141,847
Contracted Services	17,753		17,753
Amortization		238,867	238,867
Other	<u>3,344</u>	<u> </u>	<u>3,344</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 162,944</u>	<u>\$ 238,867</u>	<u>\$ 401,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (152,663)</u>	<u>\$ (238,772)</u>	<u>\$ (391,435)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 171,431</u>	<u>\$ (171,431)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 18,768	\$ (18,768)	\$
CHANGE IN NET POSITION		(391,435)	(391,435)
FUND BALANCE (DEFICIT) / NET POSITION - MAY 1, 2024	<u>(30,397)</u>	<u>(168,565)</u>	<u>(198,962)</u>
FUND BALANCE (DEFICIT) / NET POSITION - APRIL 30, 2025	<u>\$ (11,629)</u>	<u>\$ (578,768)</u>	<u>\$ (590,397)</u>

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

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2025**

Net Change in Fund Balance - Governmental Fund	\$	18,768
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		95
<p>Governmental funds do not account for amortization. However, amortization of intangible right-to-use capital assets is recorded in governmental activities.</p>		(238,867)
<p>Governmental funds report developer advances as other financing sources. In the Statement of Net Position developer advances are recorded as a liability.</p>		<u>(171,431)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(391,435)</u></u>

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

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 1. CREATION OF DISTRICT

Spradley Farms Improvement District of Kaufman County (the “District”) is a conservation and reclamation district and political subdivision of the State of Texas created pursuant to an order of the Texas Commission on Environmental Quality (the “Commission”) issued September 19, 2021, and operating pursuant to Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59, Texas Constitution, and the general laws of the State of Texas, including particularly Chapter 375, Texas Local Government Code. The District is located wholly within the corporate limits of the City of Mesquite, Texas (the “City”).

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefore, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such utility facilities or contract rights. The District may design, acquire, construct, finance, issue bonds for, improve, operate, maintain, and convey to the State, Kaufman County or the City for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads. The District also may levy and collect special assessments for certain improvement projects, including among others parks, landscaping, parking, utility and transportation facilities; and the District may finance such facilities through the issuance of debt secured by such assessments. The Board of Directors held its first meeting on December 16, 2021.

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 a board appointed by the City Council of the City of Mesquite. 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 or appointed 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.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

Internal activities between governmental funds are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements and Governmental Fund

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. The District has one governmental fund and considers it to be a major fund. The General Fund accounts for developer advances, property tax revenues, operating costs and general expenditures.

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 year. 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 year to finance current expenditures.

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.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Right-to-Use Capital Assets

Capital assets, including intangible right-to-use capital assets, are reported in the Statement of Net Position and are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the Statement of Activities. Capital asset additions and improvements 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. Certain assets are capitalized if they have a useful life over 2 years and an original cost greater than \$5,000. Capital assets are depreciated using the straight-line method over 45 years. The City of Mesquite, Texas has accepted ownership, operation, and maintenance responsibilities for certain utilities and road infrastructure located within the District which are used to provide services to users within the District (see Notes 5 and 8). The District records such assets as intangible right-to-use capital assets in its financial statements.

Budgeting

A budget is adopted each year for the General Fund by the 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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

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.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District did not have any nonspendable fund balances.

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. The District did not have any restricted fund balances.

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.

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.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 3. 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 \$14,160 and the bank balance was \$14,160. The District was not exposed to custodial credit risk.

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 which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

The District currently has no investments.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 4. MAINTENANCE TAX

On May 7, 2022, the voters of the District approved the levy and collection of a maintenance tax unlimited as to rate or amount on taxable property within the District. During the year ended April 30, 2025, the District levied an ad valorem maintenance tax rate of \$0.54 per \$100 of assessed valuation, which resulted in a tax levy of \$10,339 on the adjusted taxable valuation of \$1,914,593 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.

NOTE 5. INTANGIBLE RIGHT-TO-USE CAPITAL ASSETS

The City of Mesquite, Texas has accepted ownership, operation, and maintenance responsibilities for certain utilities and road infrastructure located within the District which are used to provide services to users within the District. The District records such assets as intangible right-to-use capital assets in its financial statements. Intangible right-to-use capital asset activity for the current fiscal year is summarized in the following table:

	May 1, 2024	Increases	Decreases	April 30, 2025
Intangible Right-to-Use Capital Assets Subject to Amortization				
Water System	\$	\$ 2,385,310	\$	\$ 2,385,310
Wastewater System		8,031,515		8,031,515
Drainage System		4,454,114		4,454,114
Paving		10,015,444		10,015,444
Total Intangible Right-to-Use Capital Assets Subject to Amortization	\$ -0-	\$ 24,886,383	\$ -0-	\$ 24,886,383
Accumulated Amortization				
Water System	\$	\$ 21,929	\$	\$ 21,929
Wastewater System		83,915		83,915
Drainage System		40,948		40,948
Paving		92,075		92,075
Total Accumulated Amortization	\$ -0-	\$ 238,867	\$ -0-	\$ 238,867
Total Intangible Right-to-Use Capital Assets Net of Accumulated Amortization	\$ -0-	\$ 24,647,516	\$ -0-	\$ 24,647,516

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 6. 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 7. UNREIMBURSED DEVELOPER COSTS

The District and the Developers have entered into agreements which require the Developers to provide operating advances as well as fund costs associated with the construction of utilities and roads. Reimbursement to the Developers for these projects and operating advances is contingent upon approval from the Commission and the future sale of bonds or the use of other lawfully available funds. The following table summarizes the current activity related to unreimbursed costs.

Due to Developers, May 1, 2024		\$ 168,565
Add: Current Year Additions		<u>25,057,814</u>
Due to Developers, April 30, 2025		<u>\$ 25,226,379</u>

NOTE 8. DEVELOPMENT AGREEMENT

On July 6, 2020, the Spradley Farms Amended and Restated Master Development Agreement (the “Development Agreement”) was executed among the City, the Board of Directors of Reinvestment Zone Number Thirteen, City of Mesquite, Texas, and the Developer. The District executed a Joinder Agreement dated as of December 16, 2021, pursuant to which the District agreed to be deemed a party to the Development Agreement.

The Development Agreement addresses the development of the District, the financing of public infrastructure, and the availability and use of tax increments produced within the TIRZ. The Development Agreement provides for the construction, financing, ownership and maintenance of public improvements serving the District. Upon the District’s completion of any such improvements, the improvements generally are conveyed to the City for ownership and maintenance, except for certain pedestrian bridging, public parks, open-space and public landscaping improvements, which the District will maintain on its own or with HOA subsidy by agreement.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 9. BOND AUTHORIZATION

The District has the following unused bond authorizations as of year-end: \$221,155,000 for the purposes of acquiring or constructing water, sewer and drainage facilities, \$206,160,000 for road facilities, \$221,155,000 for the purpose of refunding water, sewer and drainage facilities bonds, and \$206,160,000 for the purpose of refunding road bonds.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2025

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2025**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 10,100	\$ 10,244	\$ 144
Penalty, Interest and Other	<u>36</u>	<u>37</u>	<u>1</u>
TOTAL REVENUES	<u>\$ 10,136</u>	<u>\$ 10,281</u>	<u>\$ 145</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 141,000	\$ 141,847	\$ (847)
Contracted Services	16,800	17,753	(953)
Other	<u>4,662</u>	<u>3,344</u>	<u>1,318</u>
TOTAL EXPENDITURES	<u>\$ 162,462</u>	<u>\$ 162,944</u>	<u>\$ (482)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (152,326)</u>	<u>\$ (152,663)</u>	<u>\$ (337)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 152,326</u>	<u>\$ 171,431</u>	<u>\$ 19,105</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 18,768	\$ 18,768
FUND BALANCE/(DEFICIT) - MAY 1, 2024	<u>(30,397)</u>	<u>(30,397)</u>	<u></u>
FUND BALANCE/(DEFICIT) - APRIL 30, 2025	<u>\$ (30,397)</u>	<u>\$ (11,629)</u>	<u>\$ 18,768</u>

See accompanying independent auditor's report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

APRIL 30, 2025

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2025**

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

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

Note: The District is located within the City of Mesquite’s utility service area (see Note 8).

2. RETAIL SERVICE PROVIDERS: (NOT APPLICABLE)

3. TOTAL WATER CONSUMPTION: (NOT APPLICABLE)

4. STANDBY FEES: (NOT APPLICABLE)

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City in which District is located:

City of Mesquite, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor’s report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2025**

PROFESSIONAL FEES:	
Engineering	\$ 42,412
Legal	<u>99,435</u>
TOTAL PROFESSIONAL FEES	<u>\$ 141,847</u>
CONTRACTED SERVICES:	
Tax Assessment and Collection Costs	\$ 96
Bookkeeping	<u>17,657</u>
TOTAL CONTRACTED SERVICES	<u>\$ 17,753</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 3,069
Travel, Meetings and Other	<u>275</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 3,344</u>
TOTAL EXPENDITURES	<u><u>\$ 162,944</u></u>

See accompanying independent auditor's report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2025**

	Maintenance Taxes	
TAXES RECEIVABLE - MAY 1, 2024	\$ -0-	
Adjustments to Beginning Balance		\$ -0-
Original 2024 Tax Levy	\$ 10,339	
Adjustment to 2024 Tax Levy		10,339
TOTAL TO BE ACCOUNTED FOR		\$ 10,339
TAX COLLECTIONS:		
Prior Year	\$ -0-	
Current Year	10,244	10,244
TAXES RECEIVABLE - APRIL 30, 2025		\$ 95
TAXES RECEIVABLE BY YEAR:		
2024		\$ 95

See accompanying independent auditor's report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2025**

	2024
PROPERTY VALUATIONS:	
Land	\$ 10,580,070
Exemptions	(8,665,477)
TOTAL PROPERTY VALUATIONS	\$ 1,914,593
TAX RATES PER \$100 VALUATION:	
Maintenance	\$ 0.54
ADJUSTED TAX LEVY*	\$ 10,339
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	
	99.08 %

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

Maintenance Tax – An unlimited rate or amount per \$100 of assessed valuation approved by voters on May 7, 2022.

See accompanying independent auditor’s report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – ONE YEAR**

	Amounts	Percentage of Total Revenues
	2025	2025
REVENUES		
Property Taxes	\$ 10,244	99.6 %
Penalty, Interest and Other	37	0.4
TOTAL REVENUES	\$ 10,281	100.0 %
EXPENDITURES		
Professional Fees	\$ 141,847	1,379.7 %
Contracted Services	17,753	172.7
Other	3,344	32.5
TOTAL EXPENDITURES	\$ 162,944	1,584.9 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (152,663)	(1,484.9) %
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 171,431	
NET CHANGE IN FUND BALANCE	\$ 18,768	
BEGINNING FUND BALANCE (DEFICIT)	(30,397)	
ENDING FUND BALANCE (DEFICIT)	\$ (11,629)	

See accompanying independent auditor's report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2025**

District Mailing Address - Spradley Farms Improvement District
of Kaufman County
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>April 30, 2025</u>	Expense Reimbursements for the year ended <u>April 30, 2025</u>	<u>Title</u>
Stan Pickett	08/2025 - 08/2029 (Appointed)	\$ -0-	\$ -0-	President
LaMonica Davison (Resigned February 2026)	10/2023 - 08/2027 (Appointed)	\$ -0-	\$ -0-	Secretary
Carolyn Stoddard	08/2023 - 08/2027 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary/ Treasurer
Jennifer Aleman Salazar	12/2024 - 08/2027 (Appointed)	\$ -0-	\$ 132	Director

Note: Director Kelly K. Crawford served through the end of her term of August 2025, but was not reappointed by the City Council of the City of Mesquite.

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 developers or with any of the District’s consultants.

The most recent submission date of the District Registration Form was on December 9, 2025.

The limit on Fees of Office that a Director may receive during a fiscal year is set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

**SPRADLEY FARMS IMPROVEMENT DISTRICT
OF KAUFMAN COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2025**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2025</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	01/25/23	\$ 99,277	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	12/03/25	\$ -0-	Auditor
Dye & Toverly, LLC	02/14/22	\$ 17,673	Bookkeeper
Robert W. Baird & Co. Incorporated	02/14/22	\$ -0-	Financial Advisor
Graham Associates, Inc.	02/14/22	\$ 42,412	Engineer

See accompanying independent auditor's report.