OFFICIAL STATEMENT DATED NOVEMBER 12, 2026

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED) TO THE DISTRICT (HEREIN DEFINED), THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER THE STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION SUBJECT TO THE MATTERS UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured):.....“AA”
Moody's Investors Service, Inc. (Underlying).....“Baa2”
See: "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

$11,525,000
BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY
(A Political Subdivision of the State of Texas located within Denton County)

UNLIMITED TAX ROAD BONDS
SERIES 2026

Dated Date: December 1, 2026
Interest accrues from: Date of Delivery

Due: March 1, as shown on inside cover page

The $11,525,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are obligations of Belmont Fresh Water Supply District No. 2 of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Argyle, Texas (the "Town"); or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town; 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 ("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 Regions Bank, an Alabama banking corporation, Houston, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest will accrue from the date of delivery, which is expected to be on or about December 10, 2026 (the "Date of Delivery"), with interest payable September 1, 2027, and on each March 1 and September 1 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 "Record 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 AND INITIAL REOFFERING YIELDS" on inside cover.

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



The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment" herein.

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

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"). Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas ("Disclosure Counsel"). Delivery of the Bonds through the facilities of DTC is expected on or about December 10, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$11,525,000 Unlimited Tax Road Bonds, Series 2026

$9,135,000 Serial Bonds

Maturity March 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 080376 (b)	Maturity March 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 080376 (b)
2028	$ 235,000	6.625%	3.400%	KA3	2039 (c)	$435,000	5.000%	4.500%	KM7
2029	255,000	6.625%	3.500%	KB1	2040 (c)	460,000	5.000%	4.600%	KN5
2030	270,000	6.625%	3.600%	KC9	2041 (c)	485,000	5.000%	4.700%	KP0
2031	290,000	6.625%	3.700%	KD7	2042 (c)	505,000	5.000%	4.800%	KQ8
2032	310,000	6.625%	3.800%	KE5	2043 (c)	530,000	5.000%	4.900%	KR6
2033 (c)	325,000	6.625%	3.900%	KF2	2044 (c)	565,000	5.000%	4.950%	KS4
2034 (c)	340,000	6.625%	4.000%	KG0	2045 (c)	590,000	5.000%	5.000%	KT2
2035 (c)	355,000	6.625%	4.100%	KH8	2046 (c)	620,000	5.000%	5.020%	KU9
2036 (c)	370,000	6.625%	4.200%	KJ4	2047 (c)	675,000	5.000%	5.050%	KV7
2037 (c)	390,000	6.250%	4.300%	KK1	2048 (c)	715,000	5.000%	5.080%	KW5
2038 (c)	415,000	5.000%	4.400%	KL9					

$2,390,000 Term Bonds

$2,390,000 Term Bonds Due March 1, 2051 (c)(d), Interest Rate: 4.125% (Price: $84.671) (a), CUSIP No. 080376 KZ8 (b)

(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 subsequently be changed. 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. None of the District, Financial Advisor (herein defined), or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

(c) The Bonds maturing on March 1, 2033, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on December 1, 2032, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

(d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *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 is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs for duplication thereof.

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

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 to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, 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 the Official Statement."

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OFFICIAL STATEMENT – UPDATING THE OFFICIAL STATEMENT" HEREIN.

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APPENDIX A Financial Statements of the District

APPENDIX B Specimen Municipal Bond Insurance Policy

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 Robert W. Baird, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.000000% of the par value thereof, resulting in a net effective interest rate of 5.090711%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale, 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.

Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial 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 SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other 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 jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $521.2 million, $308.9 million and $212.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers: The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit

Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by the Insurer at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Ratings ("Moody's") has assigned a rating of "Baa2" to the Bonds, without regard to the Policy. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that the rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

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OFFICIAL STATEMENT SUMMARY

The following material 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 Issuer	Belmont Fresh Water Supply District No. 2 of Denton County (the "District"), a political subdivision of the State of Texas, is located in Denton County, Texas. See "THE DISTRICT."
The Issue	The District's $11,525,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are dated December 1, 2026 (the "Dated Date"), and mature on March 1 in the years and in the amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the date of delivery, which is expected to be on or about December 10, 2026 (the "Date of Delivery"), at the rates shown on the inside cover hereof and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption	*Optional Redemption*: The Bonds maturing on and after March 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or in part, on December 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*." *Mandatory Redemption*: The Bonds maturing on March 1 in the year 2051 are term bonds (the "Term Bonds") and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption."*
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town of Argyle, Texas (the "Town"); or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record	The Bonds represent the District's tenth issuance of unlimited tax bonds. The District has previously issued nine series of unlimited tax bonds. The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.
Authority for Issuance	The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Supervisors of the District (the "Board"); and an election held within the District, as referenced below. At an election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of $24,240,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating roads, and improvements in aid thereof, serving the District (the "Road System") and a total of $36,360,000 principal

amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

At the election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of $25,845,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System") and a total of $38,765,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. See "THE BONDS – Authority for Issuance."

At an election held within the boundaries of the District on May 7, 2022, voters of the District authorized the District's issuance of a total of $10,620,000 principal amount of unlimited tax bonds for Utility System improvements and an additional $10,620,000 principal amount of unlimited tax bonds to refund bonds issued for Utility System improvements.

At an election held within the boundaries of the District on November 8, 2022, voters of the District authorized the District's issuance of a total of $32,600,000 principal amount of unlimited tax bonds for Road System improvements and an additional $32,600,000 principal amount of unlimited tax bonds to refund bonds issued for Road System improvements. See "THE BONDS – Authority for Issuance."

The Bonds represent the sixth series of bonds to be issued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. Following the issuance of the Bonds, $9,645,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System and $19,060,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System remains authorized but unissued.

Outstanding Bonds ..... The District has previously issued four series of bonds for the purpose of constructing, acquiring, improving, operating, and maintaining the Utility System, of which $25,365,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Utility Bonds.")

The District has previously issued five series of bonds for the purpose of purchasing, constructing, improving, operating, and maintaining the Road System, of which $24,425,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Road Bonds," and together with the Outstanding Utility Bonds, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Use of Bond Proceeds ..... Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for costs associated with certain improvements serving the District as set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." Proceeds of the Bonds will also be used to pay developer interest, six months of capitalized interest, and costs of issuance on the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds" for further information.

Not-Qualified Tax-Exempt Obligations	The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions."
Municipal Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE" and "INVESTMENT CONSIDERATIONS – Bond Insurance Risk Factors."
Ratings	S&P Global Ratings (BAM Insured): "AA." has assigned an underlying rating of "Baa2" to the Bonds. See "RATINGS."
Bond Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See "THE DISTRICT – Management of the District – Bond Counsel," "LEGAL MATTERS – Legal Opinions," and "TAX MATTERS."
General Counsel	Allen Boone Humphries Robinson LLP, Dallas, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Cedar Creek Municipal Advisors, LLC, Irving, Texas.
Paying Agent/Registrar	Regions Bank, an Alabama banking corporation, Houston, Texas.

THE DISTRICT

Description	The District was created by an order of the Denton County Commissioner's Court on August 14, 2007, as a fresh water supply district pursuant to Article XVI, Section 59 and Article III, Section 52(b)(3) of the Texas Constitution and Chapter 53, Texas Water Code. On November 6, 2007, pursuant to an election within the District, the District was authorized to assume sanitary sewer and road district powers. The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 53 of the Texas Water Code. The District currently encompasses approximately 328.48 total acres of land. See "THE DISTRICT."
Location	The District is located approximately 27 miles north of the central downtown business district of the City of Fort Worth, Texas and 12 miles south of the central business district of the City of Denton, Texas and lies wholly within the extraterritorial jurisdiction of the Town. The District is located within Argyle Independent School District. The District is situated west of I-35W, north of FM 407, and south of Robson Ranch Road. Access to the District is provided by I-35W to FM 407 to Harvest Way and east to 8th Street and 10th Street. See "THE DISTRICT" and "VICINITY MAP."
Status of Development	To date, development within the District includes approximately 1,123 single-family lots on approximately 179.61 acres within the following residential subdivisions: Harvest Townside, Phases 1 and 2, Harvest Townhomes, Phase 1 and Phase 2, and Harvest, Phases 12 and 16. As of October 1, 2026, there were approximately 1,104 completed single-family homes within the District, (approximately 1,075 occupied, 23 unoccupied, and 6 model homes), approximately 19 homes under construction, and approximately 0 vacant developed lots available for new home construction. Additionally, there are approximately 30.08 acres of commercial development, 6.65 acres under development for planned commercial use, and

	approximately 24.92 acres under development for multifamily use. The remaining land within the District includes approximately 33.46 acres that are planned for development as additional residential lots and approximately 53.76 undevelopable acres associated with streets, rights-of-way, open space areas, drainage basins, and floodplain. See "DEVELOPMENT WITHIN THE DISTRICT."
Harvest	The District is part of the 1,250-acre, master-planned community of Harvest, which encompasses the District and Belmont Fresh Water Supply District No. 1 of Denton County ("FWSD 1"). As of October 1, 2026, approximately 1,248.62 total acres (3,981 single-family lots) have been developed with water, sanitary sewer and road facilities serving the master-planned community of Harvest. As of October 1, 2026, there were 3,962 completed homes, 19 homes under construction, and 0 vacant developed lots available for future home construction within the Harvest community. According to the Developers, there are approximately 4,143 single-family homes ultimately planned to be constructed within the Harvest community. The District makes no representation as to the likelihood of such planned development occurring within the District. See "HARVEST."
The Developers	Belmont 407, LLC, a Delaware limited liability company ("Belmont 407") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. Belmont 407 has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer, and road facilities within the District either directly or through affiliate entities. The members of Belmont 407 include: H4 Belmont, L.P. ("HMM"), a Texas limited partnership, and Realty Capital Belmont, L.P. ("RCB"), a Texas limited partnership. HMM is the managing member of Belmont 407. Realty Capital Argyle 114, LTD. ("RCA") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. The members of RCA include: H4 Argyle GP, LLC acting as the general partner, and HMM, HVST Land, LP and RCP Argyle 114 Ltd. as limited partners. H4 Argyle GP, LLC, HMM, HVST Land, LP are controlled by Hillwood (defined herein). RCP Argyle 114 Ltd is controlled by Realty Capital Partners, LLC. Belmont 407 is responsible for the development of the residential portion of the District and RCA is responsible for the development of the commercial mixed-use portion of the District. Belmont 407 and RCA are collectively referred to as the "Developers." The Developers are managed by Hillwood Residential Services L.P. ("Hillwood"), a Perot Company, a Dallas company owned by H. Ross Perot, Jr., having over 30 years of experience developing land in the state of Texas. Hillwood is an affiliate of Hillwood Development Company, LLC, which is a national real estate development company with development expertise and experience that encompasses diverse product types, including arenas, high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities. As of October 1, 2026, the Developers and their affiliate entities own approximately 72.96 undeveloped acres within the District. Additionally, Belmont 407 has developed Harvest, Phase 12, as a

	single family built to rent subdivision with 191 lots which are owned and managed by Harvest Build to Rent 1, LLC as rental properties. See "THE DEVELOPERS" and "TAX DATA – Table 7 – Principal Taxpayers."
Homebuilders	Homebuilders currently building homes within the District include David Weekley Homes, Highland Homes, M/I Homes, CB JENI Lifestyle Homes, D.R. Horton Homes, BB Living, Tri Pointe and Taylor Morrison. The lots developed as Harvest, Phase 12 have been sold to Harvest Build to Rent 1, LLC, to be held as rental properties. Homes being marketed in the District range in size from approximately 1,660 square feet to more than 2,770 square feet and in price from approximately $346,000 to $608,000. See "HOMEBUILDERS WITHIN THE DISTRICT."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Certified Taxable Assessed Valuation	$ 491,482,095	(a)
Estimated Taxable Valuation as of October 1, 2026	$ 519,402,350	(b)
Direct Debt:		
Outstanding Bonds	$ 49,790,000	
The Bonds	$ 11,525,000	
Total	$ 61,315,000	
Estimated Overlapping Debt	$ 50,064,347	(c)
Total Direct and Estimated Overlapping Debt	$ 111,379,347	(c)
Ratio of Direct Debt to:		
2026 Certified Taxable Assessed Valuation	12.48 %	
Estimated Taxable Valuation as of October 1, 2026	11.80 %	
Ratio of Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	22.66 %	
Estimated Taxable Valuation as of October 1, 2026	21.44 %	
Utility System Debt Service Fund Balance (as of October 14, 2026)	$ 574,828	(d)
Utility System Capital Project Fund Balance (as of October 14, 2026)	$ 145,369	
Road System Debt Service Fund Balance (as of October 14, 2026)	$ 637,315	(e)
Road System Capital Project Fund Balance (as of October 14, 2026)	$ 612,692	
General Operating Fund Balance (as of October 14, 2026)	$ 1,379,282	
2026 Tax Rates		
Utility System Debt Service	$ 0.3600	
Road System Debt Service	$ 0.4600	
Maintenance & Operation	$ 0.1600	
Total	$ 0.9800	(f)
Combined Average Annual Debt Service Requirements (2027-2051)	$ 3,809,513	(g)
Combined Maximum Annual Debt Service Requirement (2044)	$ 4,259,491	(g)
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Combined Average Annual Debt Service Requirement (2027-2051) at 95% Tax Collections:		
Based Upon 2026 Certified Taxable Assessed Valuation	$ 0.82	
Based Upon Estimated Taxable Valuation as of October 1, 2026	$ 0.78	
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Combined Maximum Annual Debt Service Requirement (2044) at 95% Tax Collections:		
Based Upon 2026 Certified Taxable Assessed Valuation	$ 0.92	
Based Upon Estimated Taxable Valuation as of October 1, 2026	$ 0.87	

(a) Represents the taxable amount of the assessed value of taxable property within the District as of January 1, 2026, as provided by the Denton Central Appraisal District (the "Appraisal District") upon certification of the 2026 appraisal roll. See "TAX DATA" and "TAXING PROCEDURES."

(b) An Estimate of Taxable Value of $519,402,350 as of October 1, 2026 has been provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the District as of October 1, 2026, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2026, to October 1, 2026. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's debt service funds. Funds in the Utility System Debt Service Fund (herein defined) are not available to pay debt service on the bonds issued by the District for the Road System, including the Outstanding Road Bonds and the Bonds.

(e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's debt service funds. Funds in the Road System Debt Service Fund (herein defined) are not available to pay debt service on the bonds issued by the District for the Utility System, including the Outstanding Utility Bonds.

(f) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. See "TAX DATA."

(g) Requirement of combined debt service on the Outstanding Bonds and the Bonds. See "DISTRICT FINANCIAL DATA – Table 2 – Debt Service Requirements."

OFFICIAL STATEMENT

$11,525,000

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY

(A Political Subdivision of the State of Texas located within Denton County)

UNLIMITED TAX ROAD BONDS

SERIES 2026

This Official Statement provides certain information with respect to the issuance by Belmont Fresh Water Supply District No. 2 of Denton County (the "District") of its $11,525,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Supervisors of the District (the "Board"); and elections held within the boundaries of the District on May 11, 2013 and November 8, 2022.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. 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.

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 Order. A copy of the Bond Order may be obtained from the District upon request to McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated December 1, 2026 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about December 10, 2026 (the "Date of Delivery"), with interest payable September 1, 2027, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

The Bonds will be issued only in fully registered form in any integral multiples of $5,000 of principal for any one maturity and will be initially registered and delivered only to 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 the initial paying agent/registrar, Regions Bank, an Alabama state banking corporation, Houston, Texas (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 "THE BONDS – Book-Entry-Only System."

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 (herein defined) as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

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 shall be the next succeeding business day without additional interest and with the same force and 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 and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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-Only System for the Bonds is discontinued.

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

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

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

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

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 Book-Entry-Only System 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-Only 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-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Registration and Transfer

The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS – Book-Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, as amended; the Bond Order adopted by the Board; and an election held within the boundaries of the District on November 8, 2022.

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

Election Date	Purpose	Amount Authorized	Amount Issued	Authorized But Unissued
May 11, 2013	Utility System	$ 25,845,000	$ 25,845,000	$ –
May 7, 2022	Utility System	10,620,000	975,000	9,645,000
May 11, 2013	Utility System Refunding	38,765,000	–	38,765,000
May 7, 2022	Utility System Refunding	10,620,000	–	10,620,000
May 11, 2013	Road System	24,240,000	24,240,000	–
November 8, 2022	Road System	32,600,000	13,540,000 (a)	19,060,000
May 11, 2013	Road System Refunding	36,360,000	–	36,360,000
November 8, 2022	Road System Refunding	32,600,000	–	32,600,000

(a) Includes the Bonds.

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

Outstanding Bonds

The District has previously issued four series of bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System"), of which $25,365,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Utility Bonds"). The District has previously issued five series of bonds for the purpose of constructing, acquiring, improving, maintaining, and operating roads serving the District (the "Road System"), of which $24,425,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Road Bonds," and together with the Outstanding Utility Bonds, the "Outstanding Bonds").

Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. See "TAXING PROCEDURES." The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town; or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the District's fund for debt service on the Bonds issued for the Road System, the Outstanding Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds issued for the Road System, the Outstanding Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Road Bonds, and any of the District's other duly authorized bonds issued for the

Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, including the Outstanding Utility Bonds.

The District previously confirmed its debt service fund for payment of debt service on the bonds for the Utility System, including the Outstanding Utility Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System, or for the purpose of refunding such bonds (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System, including the Outstanding Utility Bonds and any additional bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Utility System, including the Outstanding Utility Bonds and any additional bonds issued by the District for the Utility System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Bonds and the Outstanding Road Bonds.

Redemption of the Bonds

Optional Redemption

Bonds maturing on March 1, 2033, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or in part, on December 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon 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 fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such method of random selection as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form). 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.

Mandatory Redemption

The Bonds maturing on March 1 in the year 2051 are term bonds (the "Term Bonds"). The Term Bonds 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 (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

$2,390,000 Term Bonds Maturing on March 1, 2051

Mandatory Redemption Date	Principal Amount
March 1, 2049	$ 755,000
March 1, 2050	$ 795,000
March 1, 2051 (Maturity)	$ 840,000

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 fifty (50) 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.

Annexation

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of an ETJ depends in part on the municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality's ETJ expands in conformity with such annexation.

The District lies wholly within the ETJ of the Town, a home rule municipality. The District may not be annexed for full purposes by the Town except as may be specifically authorized by Chapter 43, Local Government Code, as amended. Any authorized annexation is subject to compliance by the Town with various requirements of Chapter 43, Local Government Code. Such requirements include the requirement that the Town hold an election in the area proposed for annexation whereby the qualified voters of the area approve the proposed annexation. Further, if the voters in the area to be annexed do not own more than 50% of the land in the area, a petition signed by more than 50% of the landowners consenting to the annexation is also required. However, the described election and petition process does not apply during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for full-purpose annexation of all or a portion of the district. However, the District is not a party to a strategic partnership agreement with the Town for the residential portion of the District. The District is party to a strategic partnership agreement with the Town for limited purpose annexation of the commercial development within the District. If the District is annexed for full purposes, the Town must assume the District's assets and obligations (e.g., the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the Town is a policy-making matter within the discretion of the Mayor and Town Council of the Town, and therefore, the District makes no representation that the Town will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the Town to make debt service payments should the annexation occur.

A Second Amended and Restated Development Agreement, dated effective May 1, 2014, was executed by and among the Town, the Developer, and Realty Capital Argyle 114, Ltd. ("RCA"). Such agreement was amended by the First Amendment to the Second Amended and Restated Development Agreement, effective March 5, 2019, and Second Amendment to Second Amended and Restated Development Agreement, dated August 15, 2022. Such agreement, as amended, is herein referred to as the "Development Agreement." Pursuant to a Joinder Agreement, dated April 19, 2017, the District confirmed and adopted the applicable terms of the Development Agreement, as such agreement may be amended from time to time. Among other terms, the Development Agreement grants the District immunity from full-purpose annexation by the Town until the earlier to occur of: (a) fifteen (15) years from October 2, 2017, the date of filing the first final plat of property within the District ("Initial Final Plat Date"); or (b) the date that construction of wastewater, drainage, roadway and other public infrastructure (other than water supply and distribution facilities) to serve 100% of the District is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to such infrastructure, as well as a wastewater interceptor line. The term of the Development Agreement is fifteen (15) years from the Initial Final Plat Date, but not later than May 1, 2034, twenty (20) years from its effective date. See "THE DISTRICT – Development Agreement."

Issuance of Additional Debt

The District intends to issue additional bonds from its voted authorization. Voters of the District have authorized the District's issuance of an aggregate $36,465,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System; an aggregate $49,385,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System; $56,840,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Road System; and $68,960,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. The Bonds are the sixth series of road bonds to be issued out of an aggregate of $56,840,000 principal amount

of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System.

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: an aggregate of $9,645,000 for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System; an aggregate of $49,385,000 for the refunding of bonds issued for the Utility System; $19,060,000 for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Road System; and $68,960,000 for the refunding of bonds issued for the Road System.

All bonds issued by the District must be approved by the Attorney General of Texas. Bonds issued to finance the acquisition and construction of the Utility System must also be approved by the Texas Commission on Environmental Quality (the "TCEQ").

In the Bond Order, the District reserves the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount of bonds ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the certified assessed valuation of the real property in the District. The issuance of additional obligations may increase the District's tax rates and adversely affect the security for and the investment quality and value of the Bonds.

Arbitrage

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

Remedies in the Event of Default

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

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions,

and general principles of equity. Further, certain traditional legal remedies also may not be available. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest such judgment could not be satisfied by execution against any property of the District. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including

any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds will be used to reimburse the Developer for the improvements, engineering fees, land, and related costs as set out below. Additionally, proceeds of the Bonds will also be used to pay developer interest. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer (defined herein) and the Financial Advisor (defined herein). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

Construction Costs	Amount
1. Harvest, Phase 16 – Grading	$ 183,701
2. Harvest Townhomes, Phase 2	1,188,381
3. Harvest Commercial Roads	5,995,644
4. Engineering and Testing (Items 2 and 3)	1,115,526
5. Land Costs - ROW	427,937
Total Construction Costs	$ 8,911,189
Non-Construction Costs	
A. Legal Fees	$ 293,125
B. Fiscal Agent Fees	190,250
C. Interest	
1. Capitalized Interest (6 Months)	302,450
2. Developer Interest	1,371,793
D. Bond Discount (3.00%)	345,750
E. Bond Issuance Expenses	56,667
F. Bond Engineering Report	29,788
G. Attorney General's Fee	9,500
H. Contingency (a)	14,488
Total Non-Construction Costs	$ 2,613,811
Total Bond Issue Requirement	**$ 11,525,000**

(a) Represents the difference between actual and allotted Capitalized Interest.

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

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DISTRICT FINANCIAL DATA
(UNAUDITED)

Table 1 – General

2026 Certified Taxable Assessed Valuation	$ 491,482,095	(a)
Estimated Taxable Valuation as of October 1, 2026	$ 519,402,350	(b)
Direct Debt:		
Outstanding Bonds	$ 49,790,000	
The Bonds	$ 11,525,000	
Total	$ 61,315,000	
Estimated Overlapping Debt	$ 50,064,347	(c)
Total Direct and Estimated Overlapping Debt	$ 111,379,347	(c)
Ratio of Direct Debt to:		
2026 Certified Taxable Assessed Valuation	12.48 %	
Estimated Taxable Valuation as of October 1, 2026	11.80 %	
Ratio of Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	22.66 %	
Estimated Taxable Valuation as of October 1, 2026	21.44 %	
Utility System Debt Service Fund Balance (as of October 14, 2026)	$ 574,828	(d)
Utility System Capital Project Fund Balance (as of October 14, 2026)	$ 145,369	
Road System Debt Service Fund Balance (as of October 14, 2026)	$ 637,315	(e)
Road System Capital Project Fund Balance (as of October 14, 2026)	$ 612,692	
General Operating Fund Balance (as of October 14, 2026)	$ 1,379,292	
2026 Tax Rates		
Utility System Debt Service	$ 0.3600	
Road System Debt Service	$ 0.4600	
Maintenance & Operation	$ 0.1600	
Total	$ 0.9800	(f)
Combined Average Annual Debt Service Requirements (2027-2051)	$ 3,809,513	(g)
Combined Maximum Annual Debt Service Requirement (2044)	$ 4,259,491	(g)
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Combined Average Annual Debt Service Requirement (2027-2051) at 95% Tax Collections:		
Based Upon 2026 Certified Taxable Assessed Valuation	$ 0.82	
Based Upon Estimated Taxable Valuation as of October 1, 2026	$ 0.78	
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Combined Maximum Annual Debt Service Requirement (2044) at 95% Tax Collections:		
Based Upon 2026 Certified Taxable Assessed Valuation	$ 0.92	
Based Upon Estimated Taxable Valuation as of October 1, 2026	$ 0.87	

(a) Represents the taxable amount of the assessed value of taxable property within the District as of January 1, 2026, as provided by the Appraisal District upon certification of the 2026 appraisal roll. See "TAX DATA" and "TAXING PROCEDURES."

(b) An Estimate of Taxable Value of $519,402,350 as of October 1, 2026 has been provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the District as of October 1, 2026, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2026, to October 1, 2026. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's debt service funds. Funds in the Utility System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Road System, including the Outstanding Road Bonds and the Bonds.

(e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund as of the closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's debt service funds. Funds in the Road System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Utility System, including the Outstanding Utility Bonds.

(f) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. The District has levied a total tax rate of $0.98 per $100 of assessed valuation for the 2026 tax year. See "TAX DATA."

(g) Requirement of combined debt service on the Outstanding Bonds and the Bonds. See "DISTRICT FINANCIAL DATA – Table 2 – Debt Service Requirements."

Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

	Outstanding Debt	Overlapping	
Taxing Jurisdiction	September 30, 2026	Percent	Amount
The County	$ 700,610,000	0.23%	$ 1,595,640
Argyle Independent School District	663,654,822	7.30%	48,468,707
Total Estimated Overlapping Debt			$ 50,064,347
Direct Debt (a)			$ 61,315,000
Total Direct and Estimated Overlapping Debt (a)			$111,379,347

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt (a) to:	
2026 Certified Taxable Assessed Valuation	12.48 %
Estimated Taxable Valuation as of October 1, 2026	11.80 %
Ratio of Direct and Estimated Overlapping Debt (a) to:	
2026 Certified Taxable Assessed Valuation	22.66 %
Estimated Taxable Valuation as of October 1, 2026	21.44 %

(a) Includes the Outstanding Bonds and the Bonds.

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Table 2 – Debt Service Requirements

The following schedule sets forth the combined debt service on the Outstanding Bonds plus the principal and interest of the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Combined Debt Service	Plus: The Bonds		Total Combined Debt Service
		Principal	Interest	
2027	$ 3,423,409	$ –	$ 438,553	$ 3,861,961
2028	3,411,579	235,000	597,116	4,243,694
2029	3,399,066	255,000	580,884	4,234,951
2030	3,389,163	270,000	563,494	4,222,656
2031	3,395,651	290,000	544,944	4,230,595
2032	3,396,070	310,000	525,069	4,231,139
2033	3,396,776	325,000	504,034	4,225,811
2034	3,406,220	340,000	482,006	4,228,226
2035	3,412,319	355,000	458,984	4,226,303
2036	3,420,179	370,000	434,969	4,225,148
2037	3,418,673	390,000	410,525	4,219,198
2038	3,422,736	415,000	387,963	4,225,699
2039	3,432,533	435,000	366,713	4,234,246
2040	3,432,746	460,000	344,338	4,237,084
2041	3,438,511	485,000	320,713	4,244,224
2042	3,444,570	505,000	295,963	4,245,533
2043	3,450,580	530,000	270,088	4,250,668
2044	3,451,778	565,000	242,713	4,259,491
2045	3,449,532	590,000	213,838	4,253,369
2046	3,293,041	620,000	183,588	4,096,628
2047	2,815,044	675,000	151,213	3,641,256
2048	2,293,891	715,000	116,463	3,125,353
2049	1,017,463	755,000	83,016	1,855,478
2050	715,750	795,000	51,047	1,561,797
2051	-	840,000	17,325	857,325
Total	$75,127,278	$11,525,000	$ 8,585,553	$ 95,237,831

Combined Average Annual Debt Service Requirement (2027-2051)..... $ 3,809,513

Combined Maximum Annual Debt Service Requirement (2044) ..... $ 4,259,491

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TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes for each county in Texas a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The appraisal of property within the District is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). 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.

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, members of which are both appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and elected by voters within the County. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three (3) years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind powered energy devices; inventory and warehouse goods in transit; and most individually owned automobiles and travel trailers. In addition, the District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons sixty-five (65) years or older and certain disabled persons, to the extent deemed advisable by the Board. For 2026, the District has granted $30,000 in such exemptions. see "TAX DATA – Exemptions and Special Valuations."

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between $5,000 and $12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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. See "TAX DATA."

The Board may also exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exemption value of the homesteads until the debt is discharged. To date, the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation can be made that the Board will not determine to grant such exemption in the future.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining 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 less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option.

A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken no official action to allow taxation of such goods-in-transit personal property.

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, either the County or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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. To date, none of the area within the District has been designated as a reinvestment zone, and the District has not approved any such tax abatement agreements.

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, except for certain categories of land designated for agricultural use, open space, or timberland as

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

The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

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"). 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.

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.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

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

avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space. See "TAX DATA – Exemptions and Special Valuations."

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board on an annual basis. The District was designated as a Developing District for the 2026 tax year. 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.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations.

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year or on the first day of the calendar month next following the expiration of twenty-one (21) days after mailing of the tax bills, whichever occurs later. A delinquent tax incurs an initial penalty of six percent (6%) of the amount to the tax and accrues an additional penalty of one percent (1%) per month up to July 1, at which time the total penalty becomes twelve percent (12%). In addition, delinquent taxes accrue interest at one percent (1%) per month. If the tax is not paid by July 1, an additional penalty of up to twenty percent (20%) of the total amount of taxes, penalties and interest then due may, under certain circumstances, be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payments, partial payments of taxes and the postponement of the delinquency date of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for the 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 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 twelve (12) and thirty-six (36) months (as determined by the District) when such person has not entered into another installment agreement with respect to the delinquent taxes within the preceding twenty-four (24) months.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has 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. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to certain restrictions. 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. In the absence of such federal law, the District's tax lien takes priority over a tax lien of the United States. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure, two (2) years in the case of residential or agricultural property, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such 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.

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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, the Outstanding Bonds, and any future tax-supported bonds which 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 Order 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 combined debt service requirements, and its 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 first levied a tax in tax year 2016. The District has levied a total tax rate of $0.98 per $100 of assessed valuation for the 2026 tax year. See "Table 8 – Tax Rate Calculations" below.

Table 3 – 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).

Table 4 – Historical Tax Collections

The following table illustrates the collection history of the District for the 2021–2026 tax years:

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 9/30/2026
2021	$ 77,716,175	$ 1.000	$ 777,162	99.99%	2022	100.00%
2022	113,968,126	1.000	1,139,681	99.05	2023	100.00
2023	211,707,262	1.000	2,117,073	99.88	2024	100.00
2024	306,325,879	0.980	3,001,994	99.51	2025	99.85
2025	389,372,378	0.980	3,815,849	99.71	2026	99.71
2026	491,482,095	0.980	4,816,525	(b)	2027	(b)

(a) Tax rate per $100 of assessed taxable value. See "Table 5 – Tax Rate Distribution" below.
(b) In process of collections.

Table 5 – Tax Rate Distribution

	2026	2025	2024	2023	2022	2021
Utility System Debt Service	$ 0.3600	$ 0.4175	$ 0.4200	$ 0.4625	$ 0.3700	$ 0.1900
Road System Debt Service	0.4600	0.3800	0.4300	0.4100	0.4300	0.4500
Maintenance and Operation	0.1600	0.1825	0.1300	0.1275	0.2000	0.3600
Total	$ 0.9800	$ 0.9800	$0.9800	$1.0000	$1.0000	$1.0000

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Table 6 – Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the last five years by types of property.

Type of Property	2026 Assessed Valuation	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation
Land	$148,673,177	$144,607,393	$136,524,038	$ 87,734,394	$ 45,712,608
Improvements	381,988,547	288,507,005	200,630,034	139,359,751	80,006,604
Personal Property	36,603,244	2,636,128	364,554	79,119	151,949
Exemptions (a)	(75,782,873)	(46,378,148)	(31,192,747)	(15,466,002)	(11,903,035)
Total	$491,482,095	$389,372,378	$306,325,879	$211,707,262	$113,968,126

(a) See "Exemptions and Special Valuations" below.

Exemptions and Special Valuations

To date, the District has not granted a general residential homestead exemption. For 2026, the District granted a $30,000 exemption to persons sixty-five (65) years of age or older and to certain disabled persons. According to the Appraisal District, as of January 1, 2026, approximately 0.19 acres of land within the District were designated for agricultural use, inventory, open space, or timberland. The majority of such land is owned by the Developers or their affiliate entities. The market value of the land according to the Appraisal District as of January 1, 2026, is $9,404.

Table 7 – Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of the Appraisal District's original certification of the 2026 tax rolls:

Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of 2026 Tax Roll
Harvest Build To Rent 1 LLC (a)	Land & Improvement	$ 50,173,131	10.21%
Harvest MF Partners LP (b)	Land & Improvement	40,182,189	8.18%
Harvest Retail Partners LP (b)	Land & Improvement	31,081,005	6.32%
Realty Capital Argyle 114 LTD (b)	Land & Improvement	7,760,472	1.58%
Tri Pointe Homes DFW LLC (c)	Land & Improvement	6,247,633	1.27%
Chick-Fil-A Inc.	Land & Improvement	5,924,334	1.21%
E&A Centreport LLC	Land & Improvement	2,869,608	0.58%
Lepore Family Trust	Land & Improvement	2,538,627	0.52%
Weekley Homes LLC (c)	Land & Improvement	1,915,904	0.39%
Harvest Townside Phase 3 LLC (b)	Land & Improvement	1,616,845	0.33%
Total		$150,309,748	30.58% (d)

(a) Harvest Build to Rent 1 LLC, owns and manages the lots developed in Harvest, Phase 12 as rental properties.

(b) Entities related to the Developers. See "THE DEVELOPERS" herein. For the 2026 tax year, the Developer owned approximately 0.19 acres within the District that was designated as agricultural use with a taxable value of approximately $2, but a market value of approximately $9,404 according to the Appraisal District. See "– Exemptions and Special Valuations" above.

(c) See "HOMEBUILDERS WITHIN THE DISTRICT" herein.

(d) The Top Ten Taxpayers in the District currently account for almost 31% of the District's tax base, thereby creating a concentration risk for the District. Adverse developments in economic conditions could adversely impact the businesses that own such properties in the District and the tax values in the District, resulting in less local tax revenue. Economic and market forces, such as a downturn in the economy, or legislative changes impacting funding or property taxation, for example, can also affect assessed values, particularly as these forces might trigger an increase in foreclosures or in delinquent tax payments or in the number of requests submitted to the assessment appeals board for a reduction in assessed value of taxable property in the District.

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Table 8 – Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the District's taxable assessed valuation as of January 1, 2026 ($491,482,095) or the estimate of value of October 1, 2026 ($519,402,350). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirement (2027-2051)	$ 3,809,513
Tax Rate of $0.82 on the 2026 Certified Taxable Assessed Valuation produces	$ 3,828,646
Tax Rate of $0.78 on the Estimated Taxable Valuation as of October 1, 2026, produces	$ 3,848,771
Combined Maximum Annual Debt Service Requirement (2044)	$ 4,259,491
Tax Rate of $0.92 on the 2026 Certified Taxable Assessed Valuation produces	$ 4,295,554
Tax Rate of $0.87 on the Estimated Taxable Valuation as of October 1, 2026, produces	$ 4,292,860

Table 9 – Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA – 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 below is a compilation of all 2026 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2026 Tax Rate
The District	$ 0.980000
The County	0.185938
Argyle Independent School District	1.155800
Denton County Emergency Services District No. 1	0.060000
Total Tax Rate	$ 2.381738

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THE DISTRICT

General

The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 53, Texas Water Code.

The District was created by an order of the Denton County Commissioner's Court on August 14, 2007, as a fresh water supply district. The creation of the District was confirmed in an election held within the District on November 6, 2007. Pursuant to an additional election held on November 6, 2007, within the District, the District was authorized to assume sanitary sewer and road district powers.

Accordingly, the District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and, the construction, operation and maintenance of macadamized, graveled or paved roads and turnpikes and improvements in aid thereof. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, operate and maintain parks and recreational facilities and drainage facilities.

Other than with respect to the construction and financing of roads and improvements in aid thereof, the TCEQ exercises continuing supervisory jurisdiction over the District. Construction of the District's water and sanitary sewer system is subject to the regulatory jurisdiction of additional governmental agencies.

Location of the District

The District currently contains approximately 329 total acres and is located approximately 27 miles north of the central downtown business district of the City of Fort Worth, Texas, approximately 12 miles south of the City of Denton, Texas, and lies wholly within the extraterritorial jurisdiction of the Town. The District is located within Argyle Independent School District. The District is situated west of I-35W, north of FM 407, and south of Robson Ranch Road. Access to the District is provided by I-35W to FM 407 to Harvest Way and east to 8th Street and 10th Street.

Management of the District

The District is governed by the Board, which consists of five (5) supervisors and has control over and management supervision of all affairs of the District. All of the present members of the Board are registered voters of the District. Supervisors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

Name	Position	Term Expires May
Mike Knisley	President	2030
Mitchell Baird	Vice President	2028
Larry Thompson	Secretary	2030
Jeremy Spivey	Treasurer/Assistant Secretary	2028
Elizabeth Noble	Assistant Secretary	2030

The District does not employ a general manager or other full-time employees but contracts for certain necessary services as described below:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Dawn Waye, the Denton County Tax Assessor/Collector.

Bookkeeper – The District contracts with Tovery Accounting Consultants, LLC, for bookkeeping services.

Auditor – The District's financial statements for the fiscal year ended January 31, 2026, were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, a copy of which is included as "APPENDIX A."

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District's utility facilities and roads is Westwood Professional Services, Inc. (the "Engineer").

Bond Engineer – The District has retained Jones-Heroy & Associates, Inc. ("JHA") in connection with the preparation and processing of utility bond and other applications with the TCEQ, as well as the compilation of information and documentation relating to expenses to be reimbursed and preparation of a summary of costs for each issuance of District road bonds. The fees to be paid JHA for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Bond Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

General Counsel – The District has engaged Allen Boone Humphries Robinson LLP, Dallas, Texas, as General Counsel to the District. General Counsel also provides certain legal services in connection with the issuance of the Bonds in conjunction with Bond Counsel. A portion of the fees of General Counsel relating to the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor – The District has engaged the firm of Cedar Creek Municipal Advisors, LLC, Irving, Texas, as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale, and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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Development Agreement

The Developer, RCA, and the Town entered into a Second Amended and Restated Development Agreement, effective May 1, 2014. Such agreement was amended by a First Amendment to the Second Amended and Restated Development Agreement, effective March 5, 2019, and Second Amendment to Second Amended and Restated Development Agreement, dated August 15, 2022. Pursuant to a Joinder Agreement, dated April 19, 2017, the District confirmed and adopted the applicable terms of the Second Amended and Restated Development Agreement, as such agreement may be amended from time to time.

The Development Agreement establishes permitted land uses and development densities for the area within the District; establishes platting process and fees, building codes and standards, and inspection and permitting procedures and fees; provides immunity from full-purpose annexation by the Town, until certain conditions are met; recognizes the Town as the exclusive retail sewer service provider; establishes road and utility infrastructure to be constructed by the District for the area within its boundaries; allocates wastewater capacities to the District; provides for the District's phased conveyance to the Town of the sewer infrastructure constructed by the District; provides for the Town's delivery of wastewater collection and treatment service to the area within the District; establishes requirements for payment of certain Trinity River Authority ("TRA") flow charges by the District; provides for construction of the TRA sanitary sewer interceptor line ("Interceptor Line") serving the area within the District; provides for the conveyance of school sites by the Developer; and provides requirements for the provision of police services to the area within the District.

The Town is the sole provider of retail wastewater service to residential and commercial customers in the District at the same rates as provided to other customers within the Town. The term of the Development Agreement is fifteen (15) years from October 2, 2017, the Initial Final Plat Date, but not later than May 1, 2034, twenty (20) years from its effective date.

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DEVELOPMENT WITHIN THE DISTRICT

To date, development within the District includes approximately 1,123 single-family lots on approximately 179.61 acres within the following residential subdivisions: Harvest Townside, Phases 1 and 2, Harvest Townhomes, Phase 1 and 2, and Harvest, Phases 12 and 16. As of October 1, 2026, there were approximately 1,104 completed single-family homes within the District, (approximately 1,075 occupied, 23 unoccupied, and 6 model homes), approximately 19 homes under construction, and approximately 0 vacant developed lots available for new home construction. Additionally, there are approximately 30.08 acres of commercial development, 6.65 acres under development for planned commercial use, and approximately 24.92 acres under development for multifamily use.

The remaining land within the District includes approximately 33.46 acres that are planned for development as additional residential lots and approximately 53.76 undevelopable acres associated with streets, rights-of-way, open space areas, drainage basins, and floodplain.

The table below summarizes the development within the District as of October 1, 2026.

	Platted Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Harvest Townside, Phase 1	45.11	210	210	–	–
Harvest Townside, Phase 2	22.62	102	102	–	–
Harvest Townhomes, Phase 1	16.11	120	120	–	–
Harvest Townhomes, Phase 2	11.80	88	88	–	–
Harvest Phase 12 (a)	20.00	191	191	–	–
Harvest Phase 16	63.97	412	393	19	–
Totals (Residential)	179.61	1,123	1,104	19	–

Residential Developed	179.61
Commercial Developed	30.08
Commercial Under Development	6.65
Multi-Family Under Development	24.92
Residential Under Development	–
Remaining Developable Residential	33.46
Remaining Developable Commercial	–
Undevelopable	53.76
District Total	328.48

(a) Harvest, Phase 12, was developed as a single-family build-to-rent subdivision that will be managed by Harvest Build to Rent 1, LLC. See "TAX DATA – Table 7 – Principal Taxpayers."

HARVEST

The District is part of the 1,250-acre, master-planned community of Harvest, which encompasses the District and Belmont Fresh Water Supply District No. 1 ("FWSD 1"). As of October 1, 2026, approximately 1,248.62 total acres (3,981 single-family lots) have been developed with water, sanitary sewer and road facilities serving the master-planned community of Harvest. As of October 1, 2026, there were 3,962 completed homes, 19 homes under construction, and 0 vacant developed lots available for future home construction within the Harvest community. According to the Developers, there are approximately 4,143 single-family homes ultimately planned to be constructed within the Harvest community. The District makes no representation as to the likelihood of such planned development occurring within the District.

PHOTOGRAPHS TAKEN IN THE DISTRICT

(October 2026)

















PHOTOGRAPHS TAKEN IN THE DISTRICT

(October 2026)









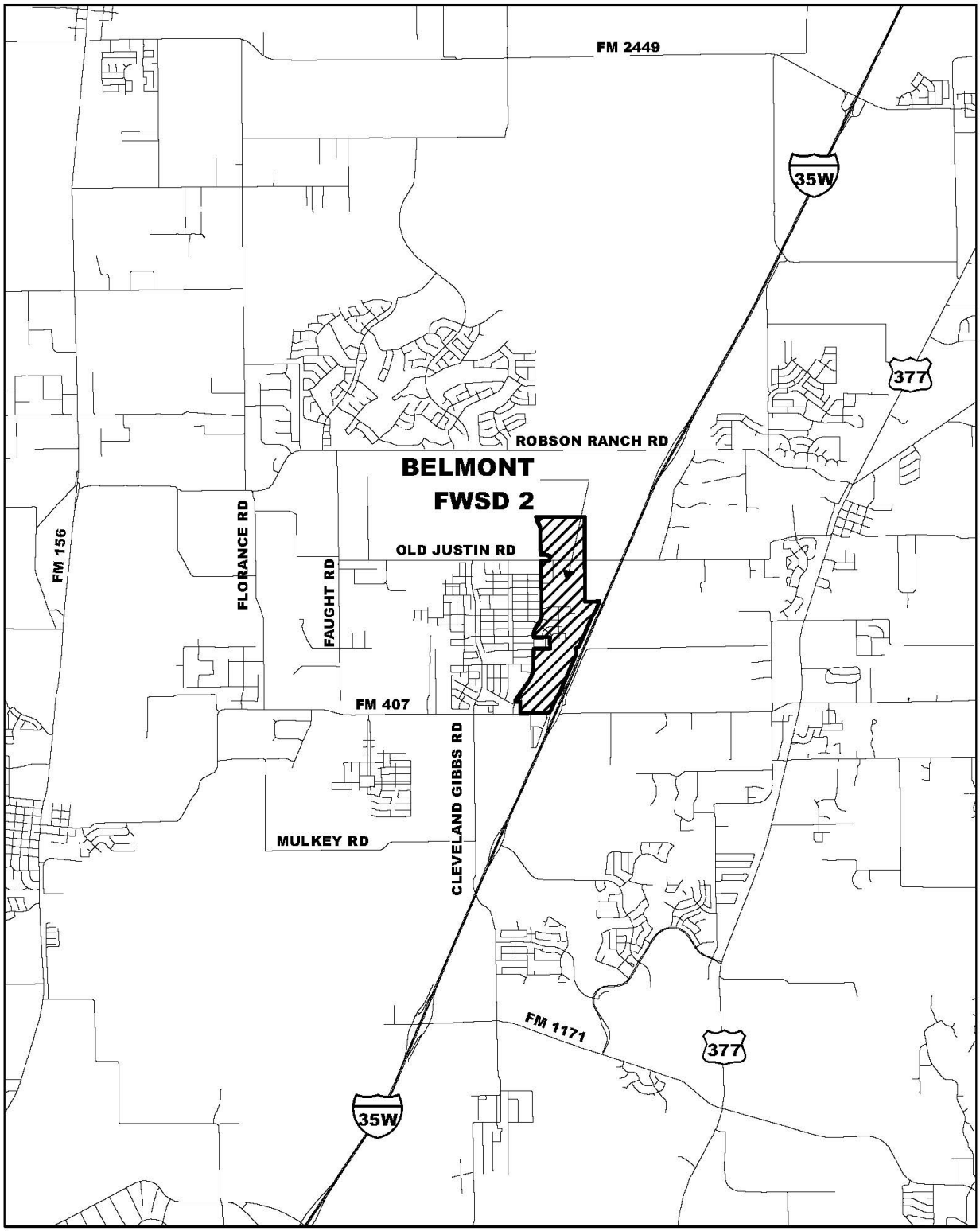








VICINITY MAP



THE DEVELOPERS

The Role of a Developer

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

Prospective purchasers of the Bonds should note that the prior real estate experience of 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 Developers, or any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers or their affiliate entities have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers 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.

The Developers

Belmont 407 was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. Belmont 407 has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer, and road facilities within the District either directly or through affiliate entities. The members of Belmont 407 include: HMM and RCB. HMM is the managing member of Belmont 407.

RCA was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. The members of RCA include: H4 Argyle GP, LLC acting as the general partner, and HMM, HVST Land, LP and RCP Argyle 114 Ltd. as limited partners. H4 Argyle GP, LLC, HMM, HVST Land, LP are controlled by Hillwood (defined herein). RCP Argyle 114 Ltd is controlled by Realty Capital Partners, LLC. Belmont 407 is responsible for the development of the residential portion of the District and RCA is responsible for the development of the commercial mixed-use portion of the District. Belmont 407 and RCA are collectively referred to as the "Developers."

The Developers are managed by Hillwood Residential Services L.P. ("Hillwood"), a Perot Company, a Dallas company owned by H. Ross Perot, Jr., having over 30 years of experience developing land in the state of Texas. Hillwood is an affiliate of Hillwood Development Company, LLC, which is a national real estate development company with development expertise and experience that encompasses diverse product types, including arenas, high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.

As of October 1, 2026, the Developers and their affiliate entities own approximately 72.96 undeveloped acres within the District. Additionally, Belmont 407 developed Harvest, Phase 12, as a single family built to rent subdivision with 191 lots which were subsequently sold to Harvest Build to Rent 1, LLC as rental properties. See "TAX DATA – Table 7 – Principal Taxpayers."

Lot-Sales Contracts

Belmont 407, through its subsidiary entities, has entered into lot-sales contracts with each of David Weekley Homes, Highland Homes, CB JENI Lifestyle Homes, D.R. Horton Homes, M/I Homes, BB Living, Tri Pointe Homes, and Taylor Morrison. The lots in Harvest Townside, Phase 2 have been purchased by Highland Homes and M/I Homes. 120 lots in Harvest Townhomes, Phase 1 have been purchased by CB JENI Lifestyle Homes. The contracts for the sale of lots between Belmont 407 and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. Belmont 407's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to Belmont 407, each of the builders is in compliance with their respective lot-sales contracts. As of October 1, 2026, the total number of lots contracted and purchased by each builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
David Weekley Homes	143	143
Highland Homes	64	64
D.R. Horton Homes	141	141
M/I Homes	55	55
CB JENI Lifestyle Homes	208	208
BB Living	191	191
Tri Pointe Homes	230	230
Taylor Morrison	91	91
Totals	1,123	1,123

HOMEBUILDERS WITHIN THE DISTRICT

Homebuilders currently building homes within the District include David Weekley Homes, Highland Homes, M/I Homes, CB JENI Lifestyle Homes, D.R. Horton Homes, BB Living, Tri Pointe and Taylor Morrison. The lots developed as Harvest, Phase 12 have been sold to Harvest Build to Rent 1, LLC, to be held as rental properties. Homes being marketed in the District range in size from approximately 1,660 square feet to more than 2,770 square feet and in price from approximately $346,000 to $608,000.

The lots developed as Harvest Townside, Phase 1 are under contract to be purchased by David Weekley Homes and D.R. Horton Homes. The lots developed as Harvest Townside Phase 2 are under contract to be purchased by Highland Homes and M/I Homes. The lots developed as Harvest Townhomes, Phase 1 are under contract to be purchased by CB JENI Lifestyle Homes. The lots developed as Harvest, Phase 12 have been sold to Harvest Build to Rent 1, LLC, to be held as rental properties. The lots in development as Harvest, Phase 16 are under contract to be purchased by David Weekley Homes, Tri Pointe, and Taylor Morrison.

THE UTILITY SYSTEM

The District's Utility System has been funded with advances from the Developers, and proceeds of the Outstanding Utility Bonds, and will be funded with future utility bonds issued by the District. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

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 Town, Argyle Water Supply Corporation ("WSC"), and the County. 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 -

The area within the District lies wholly within the water certificate of convenience and necessity ("CCN") number 10199 held by WSC. Under that Non-Standard Water Service Contract, dated effective February 17, 2017, entered into by the District, Belmont 407, RCA, Ltd, Harvest Townside Phase 1, LLC, and WSC, and that First Amendment to Non-Standard Water Service Contract dated effective December 11, 2018, made by and between the same parties (collectively, the "Water Contract No. 1"), WSC agreed to provide retail water service to 525 equivalent single-family connections ("esfcs") in the District for Harvest Townside Phase 1 and Phase 2, and Harvest Townhomes Phase 1 and Phase 2.

Pursuant to Water Contract No. 1, on behalf of the District, the Developer funded construction of a 12-inch waterline that extended the WSC system to the District boundary, as well as the internal water distribution lines serving the four aforementioned phases. The Developer also advanced funds on behalf of the District for payment of 50% of the $4,557 capital recovery fee established by WSC for providing service to each esfc within those phases, with the builder being responsible for payment of the balance as a request for service to an esfc is made.

Pursuant to that Non-Standard Water Service Contract No. 2, effective October 15, 2020 ("Water Contract No. 2," and along with Water Contract No. 1, the "Water Contracts"), among WSC, District, Developer, and others, WSC agreed to provide water service to 1,372 esfcs for the remainder of the District area. Pursuant to Water Contract No. 2, the Developer funded construction of a 16-inch waterline that extended the WSC system to the District's eastern boundary, and is currently funding internal lines for Harvest Phases, 12 and 16. The Developer has also agreed to advance on behalf of the District the WSC $4,557 capital recovery fee for each esfc within the remainder of the District, as the District is responsible for payment of 100% of such fee.

Upon completion of a phase of water distribution facilities by or on behalf of the District, the District conveys such facilities to the WSC. Such conveyance is made in consideration of various agreements made by the WSC in the Water Contracts, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond. The source of water is treated surface water delivered to a Point of Delivery located on the east side of the District adjacent to I-35W on the south side of the Devon natural gas wellsite, and a second Point of Delivery located where Old Justin Road enters the District on its eastern boundary.

As of October 1, 2026, the District has approximately 1,069 active esfcs. According to representatives of WSC, WSC has sufficient capacity to serve the approximate 1,897 total esfcs within the District pursuant to Water Contract No. 1.

- Wastewater Treatment -

The area within the District lies wholly within the wastewater CCN number 20826 held by the Town. The Town is the provider of retail wastewater service to the users within the District. The Trinity River Authority and the Towns of Argyle, Flower Mound, and Northlake entered into a four-party agreement for the design and construction of a regional sanitary sewer conveyance system, including the Interceptor Line. Pursuant to such four-party agreement, the Town has total capacity of 4.339 million gallons per day ("mgd") peak flow in the Interceptor Line. Pursuant to the Development Agreement, the Town has agreed it has adequate sanitary sewer capacity available and reserved to serve full development of the property within the District.

Upon completion of a phase of wastewater distribution facilities by or on behalf of the District, the District conveys such facilities to the Town. Such conveyance is made in consideration of various agreements made by the Town in the Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond.

THE ROAD SYSTEM

The District's Road System will be funded with advances from the Developers, proceeds of the Bonds, the Outstanding Road Bonds, and future road bonds issued by the District. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to

certain regulations by the Town and the County. 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 Road System also includes sidewalks, streetlights, and right-of-way landscaping. Public utilities such as water, wastewater, storm drainage, and non-builder sidewalks are typically located within street rights-of-way. Unlike the Utility System, the Road System is owned and maintained by the District.

Joint Road Contracts

On November 1, 2014, the District entered into a joint road construction contract with FWSD 1. This contract was amended on January 20, 2016, and January 17, 2018. Under the terms of the contract, the districts have acquired and constructed certain joint road facilities, including Harvest Way, in phases by segments. Each district has agreed to pay its proportionate share of acquisition, construction, operation, and maintenance costs of the joint road facilities. Each district owns its proportionate share of each segment of the joint road facilities that are constructed. The term of this agreement is fifty (50) years.

On January 20, 2016, the District and FWSD 1 entered into a Contract for Joint Drainage Improvements in Aid of Roads. This contract was amended on January 18, 2017. The contract provides for both districts to share in the costs and expenses related to the construction, ownership, operation, and maintenance of certain drainage improvements as part of the respective road system that will serve each district, based on the relative benefit received. The term of this agreement is fifty (50) years.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; the County; the Town; 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 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 representation that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Economic Factors Affecting Taxable Values and Tax Payment

The rate of development within the District is directly related to the vitality of the single-family housing and commercial market in the Dallas-Fort Worth, Texas and Denton, Texas metropolitan areas. New single-family residential and commercial construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential and commercial construction 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. See "DEVELOPMENT WITHIN THE DISTRICT."

Dependence on Major Taxpayers and the Developers: The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Table 7 – Principal Taxpayers," for the 2026 tax year, the District's top ten principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 30.58% of the District's total taxable assessed valuation. Harvest Build to Rent 1, LLC, which is the owner of the single family rental homes in Harvest Phase 12, the District's top taxpayer for the 2026 tax year, owned taxable property representing approximately 10.21% of the District's total taxable assessed valuation, and entities related to the Developers owned taxable property for the 2026 tax year representing approximately 16.41% of the District's total taxable assessed valuation. If these principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover

or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collections and Foreclosure Remedies" in this section, "TAX DATA – Table 7 – Principal Taxpayers," "THE DEVELOPERS" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Developers and Principal Landowner's Obligations to the District: There is no commitment by or legal requirement of the Developers, or any other landowner, to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home or commercial builder to proceed at any particular pace with construction in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the profitability of future development, if any, or the rate of future home or commercial construction activity in the District. Failure to construct taxable improvements on developed lots or commercial sites would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT WITHIN THE DISTRICT," "THE DEVELOPERS," and "HOMEBUILDERS WITHIN THE DISTRICT."

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

Location and Access: The District is located in an outlying area of the Denton, Texas metropolitan area, approximately 27 miles north from the central business district of the City of Fort Worth, Texas, and approximately 12 miles south of the City of Denton, Texas. The District is located wholly within the extraterritorial jurisdiction of the Town. Many of the single-family developments with which the District competes are in a more developed state and have lower total overlapping tax rates. As a result, particularly during times of increased competition, the Developers within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation of property within the District as of January 1, 2026, is $491,482,095 and the estimate of value as of October 1, 2026, is $519,402,350. See "DISTRICT FINANCIAL DATA." After issuance of the Bonds, the combined maximum annual debt service requirement of the Outstanding Bonds and the Bonds is $4,259,491 (2044), and the combined average annual debt service requirement of the Outstanding Bonds and the Bonds is $3,809,513 (2027-2051). See "DISTRICT FINANCIAL DATA – Table 2 – Debt Service Requirements." Assuming no increase to or decrease from the taxable assessed valuation as of January 1, 2026, combined debt service tax rates of $0.92 and $0.82 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. Assuming no increase to or decrease from the estimate of value as of October 1, 2026, combined debt service tax rates of $0.87 and $0.78 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively.

For the 2026 tax year, the District has levied a total combined tax rate of $0.98 per $100 of assessed taxable value composed of a tax rate of $0.16 per $100 of assessed taxable value for maintenance and operations, a tax rate of $0.36 per $100 of assessed taxable value for utility debt service, and a tax rate of $0.46 per $100 of assessed taxable value for road debt service. See "THE BONDS – Source of Payment."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure.

The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings 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. See "TAXING PROCEDURES – Collection of Delinquent Taxes."

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 (see "TAX DATA – Table 9 – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against the collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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.

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.

Increase in Costs of Building Materials

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

Registered Owners' Remedies

Remedies available to registered owners of Bonds (the "Registered Owners") in the event of a default by the District under the Bond Order are limited. Although the Bond Order provides that the Registered Owners may obtain a writ of mandamus requiring performance by the District, such remedy must be exercised upon each

default and may prove time-consuming, costly, and difficult to enforce. The Bond Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interests of the Registered Owners, or any other additional remedy in the event of a default by the District. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in the improvements financed with the Bonds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public-purpose property. Further, the Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced, or otherwise affected by a State of Texas statute reasonably required to allow an important public purpose, or by proceedings under the Federal Bankruptcy Code, or other laws affecting the enforcement of creditors' rights generally.

Future Debt

At an election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of $24,240,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System and a total of $36,360,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

At the election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of $25,845,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Utility System and a total of $38,765,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

At an election held within the boundaries of the District on May 7, 2022, voters of the District authorized the District's issuance of a total of $10,620,000 principal amount of unlimited tax bonds for Utility System improvements and an additional $10,620,000 principal amount of unlimited tax bonds to refund bonds issued for Utility System improvements.

At an election held within the boundaries of the District on November 8, 2022, voters of the District authorized the District's issuance of a total of $32,600,000 principal amount of unlimited tax bonds for Road System improvements and an additional $32,600,000 principal amount of unlimited tax bonds to refund bonds issued for Road System improvements.

The Bonds represent the sixth series of bonds to be issued for the purpose of constructing, acquiring, improving, operating, and maintaining the Road System. Following the issuance of the Bonds, $9,645,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, operating, and maintaining the Utility System remains authorized but unissued, $19,060,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System, $49,385,000 for the refunding of bonds issued for the Utility System remains authorized but unissued, and $68,960,000 for the refunding of bonds issued for the Road System remains authorized but unissued.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

All bonds issued by the District must be approved by the Attorney General of Texas. Bonds issued to finance the acquisition and construction of the Utility System must also be approved by the TCEQ.

Generally, this District expects to issue bonds annually as growth within the District allows and the reimbursement owed warrants those sales.

Based on present engineering cost estimates, an addition of land to the District, and revised development plans, in the opinion of the District's engineer, Westwood Professional Services, Inc. (the "Engineer"), following the issuance of the Bonds, the remaining $9,645,000 principal amount of authorized but unissued unlimited tax bonds for the Utility System, will be sufficient to fully finance such utility facilities to serve the remaining undeveloped but developable land within the District. The remaining $19,060,000 principal amount of authorized but unissued unlimited tax bonds for the Road System will be sufficient to fully finance such road improvements to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will still owe the Developers approximately $1,700,000 for the reimbursable expenditures advanced to develop land, including the Road System and the Utility System improvements within the District on behalf of the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT WITHIN THE DISTRICT."

Environmental Regulations

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

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

Sanctions against a fresh water supply 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, Tarrant, 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") effective November 7, 2022, with an attainment deadline of July 20, 2027. The "severe" nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area ("2015 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a "serious" nonattainment area under the eight-hour ozone standard of 70 ppb promulgated by the EPA in 2015 (the "2015 Ozone Standard"), effective July 22, 2024, with an attainment deadline of August 3, 2027. The requirements for an area designated as "serious" vary and establish several attainment deadlines ranging from January 1, 2026 to January 1, 2028, with such deadlines applicable to the specific requirements of the EPA's final action.

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. As a result of the DFW Area's reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2026, addressing the "serious" nonattainment classification.

Water Supply & Discharge Issues: Water supply and discharge regulations that fresh water supply 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 fresh water supply 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 fresh water supply district's provision of water for human consumption is subject to extensive regulation as a public water system. Fresh water supply districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 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 fresh water supply district must comply may have an impact on the fresh water supply district's ability to obtain and maintain compliance with TPDES permits.

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

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

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are

described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court decision.

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

Marketability of the Bonds

The District has no understanding with 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, as such bonds are more generally bought, sold and traded in the secondary market.

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

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

A district, such as the District, may not be forced into bankruptcy involuntary.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS – Opinion."

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.

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 Date of 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.

90th Texas Legislature

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

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.

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim-paying ability. The bond insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such

event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

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

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

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS (except for information under the subheadings "Book-Entry-Only System," "Annexation" and "Use and Distribution of Bond Proceeds")," "THE DISTRICT – Management of the District – Bond Counsel," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION (except for information under the subheading "Compliance with Prior Undertakings")" solely to determine whether such information fairly summarizes the documents, laws, and procedures referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

In its capacity as General Counsel, Allen Boone Humphries Robinson LLP, has reviewed the information appearing in this Official Statement under the headings "THE BONDS – Authority for Issuance," " – Annexation," "THE DISTRICT – General," "– Management of the District – General Counsel," and "– Development Agreement," "THE ROAD SYSTEM – Joint Road Contracts," and "THE UTILITY SYSTEM – Description of the Utility System" solely to determine whether such information fairly summarizes the agreements, law, and legal procedures referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Bond Counsel to the District, and Allen Boone Humphries Robinson LLP, Dallas, Texas, serves as General Counsel to the District, and provides certain legal services in connection with the issuance of the Bonds in conjunction with Bond Counsel. Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel.

TAX MATTERS

Opinion

On the Date of Delivery, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds.

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE

TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM AND THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District did **not** designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the Date of Delivery, to the effect that no litigation of any nature has been filed or is pending against the District: to restrain or enjoin the issuance or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance of the Bonds; affecting the corporate existence or boundaries of the District or the authority of the officers of the District to execute, sign, and deliver the Bonds.

NO MATERIAL ADVERSE CHANGE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in the final Official Statement in the Table 1 through 9 and (2) if not provided as part such financial information and operating data, audited financial statements of the District, within 12 months after the end of each fiscal year of the District. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in "APPENDIX A" hereto or such other accounting principles as the District may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The District's current fiscal year end is January 31. Accordingly, it must provide updated information by July 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 material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule" or "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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserve or a trustee.

For the purposes of event (12) in the immediately preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or

business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of events (15) and (16), the term "Financial Obligation" means 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) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the "Rule")) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of 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 rule 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 prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District has complied in all material respects with its previous undertakings pursuant to SEC Rule 15c2-12 in connection with the Outstanding Bonds.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Developers, the Tax Assessor/Collector, the Auditor, the Denton Central 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 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 January 31, 2026, were prepared by McCall Gibson Swedlund Barfoot, PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

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 DEVELOPERS" (with the exception of the information under the subheading "General") has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

The information contained in this Official Statement relating to the District's financial statements, in particular, the information in "APPENDIX A," has been provided by the Auditor and has been included herein in reliance upon their 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 Road System and Utility System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "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 experts 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 valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Denton Central Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Supervisors of the District, acting in their official capacities, to the effect that to their actual knowledge: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the Date of Delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the earlier of (i) ninety (90) days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository

but in no case less than twenty-five (25) days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of twenty-five (25) days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in SEC Rule 15c2-12.

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Supervisors of Belmont Fresh Water Supply District No. 2 of Denton County as of the date specified on the first page hereof.

/s/ Mike Knisley
President, Board of Supervisors
Belmont Fresh Water Supply District No. 2 of Denton County

ATTEST:

/s/ Larry Thompson
Secretary, Board of Supervisors
Belmont Fresh Water Supply District No. 2 of Denton County

APPENDIX A

Financial Statements of the District

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Belmont Fresh Water Supply District No. 2
of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Belmont Fresh Water Supply District No. 2 of Denton County (the "District") as of and for the year ended January 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of January 31, 2026, 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.

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 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

May 13, 2026

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2026

Management's discussion and analysis of the financial performance of Belmont Fresh Water Supply District No. 2 of Denton County (the "District") provides an overview of the District's financial activities for the year ended January 31, 2026. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property taxes, franchise fees, and permit fees, as well as operating and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial recourses restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statement and accompanying notes, this report also represents 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 and deferred inflows of resources exceeded assets by $12,734,604 as of January 31, 2026.

The first table on the following page presents a comparative analysis of government-wide changes in the Statement of Net Position as of January 31, 2026, and January 31, 2025.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2026	2025	Change Positive (Negative)
Current and Other Assets	$ 6,818,729	$ 6,178,447	$ 640,282
Capital Assets (Net of Depreciation)	40,127,172	34,187,532	5,939,640
Total Assets	$ 46,945,901	$ 40,365,979	$ 6,579,922
Due to Developers	$ 4,579,614	$ 5,781,844	$ 1,202,230
Bonds Payable	50,988,168	41,859,155	(9,129,013)
Other Liabilities	1,016,556	769,749	(246,807)
Total Liabilities	$ 56,584,338	$ 48,410,748	$ (8,173,590)
Deferred Inflows of Resources	$ 3,096,167	$ 2,601,648	$ (494,519)
Net Position:			
Net Investment in Capital Assets	$ (14,701,140)	$ (12,667,298)	$ (2,033,842)
Restricted	501,364	496,712	4,652
Unrestricted	1,465,172	1,524,169	(58,997)
Total Net Position	$ (12,734,604)	$ (10,646,417)	$ (2,088,187)

The following table presents a summary of the District's operations for the years ended January 31, 2026, and January 31, 2025.

	Summary of Changes in the Statement of Activities		
	2026	2025	Change Positive (Negative)
Revenues:			
Property Taxes	$ 3,312,343	$ 2,254,493	$ 1,057,850
Permit and Franchise Fees	388,538	684,827	(296,289)
Other Revenues	208,357	179,426	28,931
Total Revenues	$ 3,909,238	$ 3,118,746	$ 790,492
Total Expenses	5,997,425	5,827,480	(169,945)
Change in Net Position	$ (2,088,187)	$ (2,708,734)	$ 620,547
Net Position, Beginning of Year	(10,646,417)	(7,937,683)	(2,708,734)
Net Position, End of Year	$ (12,734,604)	$ (10,646,417)	$ (2,088,187)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of January 31, 2026, were $3,428,278, a decrease of $22,464 from the prior year.

The District's General Fund fund balance decreased by $106,003, primarily due to operating, professional, and administrative costs exceeding property tax revenues, permit fees, franchise fees, and investment revenues.

The District's Debt Service Fund fund balance increased by $130,238, primarily due to the structure of the District's debt service requirements and Series 2025 Bonds capitalized interest deposited in the current fiscal year.

The District's Capital Projects Fund fund balance decreased by $46,699. The District sold its Series 2025 Bonds and Series 2025 Road Bonds and used the proceeds to reimburse developers for costs paid on behalf of the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Supervisors adopted a budget for the current year. Actual revenues were $7,525 less than budgeted revenues and actual expenditures were $74,681 more than budgeted expenditures which resulted in a negative variance of $82,206. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of January 31, 2026, total $40,127,172 and include land, landscaping, roads, paving, water system, wastewater system, and drainage system. See Note 15 for capital assets purchased using proceeds of bond sales during the current fiscal year.

Capital Assets At Year-End

	2026	2025	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,741,755	$ 1,417,539	$ 324,216
Capital Assets, Subject to Depreciation:			
Roads and Paving	17,072,542	15,971,748	1,100,794
Water and Sanitary Sewer System	20,574,250	15,542,461	5,031,789
Drainage System	2,546,034	2,354,728	191,306
Landscaping	3,323,925	2,792,743	531,182
Less Accumulated Depreciation	(5,131,334)	(3,891,687)	(1,239,647)
Total Net Capital Assets	$ 40,127,172	$ 34,187,532	$ 5,939,640

LONG-TERM DEBT ACTIVITY

As of January 31, 2026, the District had total bond debt payable of $50,945,000. The changes in bonds payable during the current fiscal year are summarized in the following table:

Bond Debt Payable, February 1, 2025	$ 41,755,000
Add: Bond Sales	10,280,000
Less: Bond Principal Paid	(1,090,000)
Bond Debt Payable, January 31, 2026	$ 50,945,000

Bonds issued since 2022 carry underlying ratings of "Baa2". Bonds issued since the Series 2021 Road Bonds carry insured ratings of "AA" or "AA/A1" by virtue of bond insurance issued by Assured Guaranty Inc. or Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

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 Belmont Fresh Water Supply District No. 2 of Denton County, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JANUARY 31, 2026

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 910,606	$ 2,285,496
Investments	877,030	892,534
Due from Tax Assessor/Collector		493,219
Property Taxes Receivable	100,841	443,542
Due from Other Funds	2,500	317,120
Due from Other Governmental Units	73,491	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 1,964,468	$ 4,431,911
LIABILITIES		
Accounts Payable	$ 182,176	$ 2,580
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	317,120	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 499,296	$ 2,580
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 100,841	$ 3,104,854
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		1,324,477
Unassigned	1,364,331	
TOTAL FUND BALANCES	$ 1,364,331	$ 1,324,477
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,964,468	$ 4,431,911
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 322,453	$ 3,518,555	$	$ 3,518,555
419,517	2,189,081		2,189,081
	493,219		493,219
	544,383		544,383
	319,620	(319,620)	
	73,491		73,491
		1,741,755	1,741,755
		38,385,417	38,385,417
$ 741,970	$ 7,138,349	$ 39,807,552	$ 46,945,901
$	$ 184,756	$	$ 184,756
		831,800	831,800
		4,579,614	4,579,614
2,500	319,620	(319,620)	
		1,155,000	1,155,000
		49,833,168	49,833,168
$ 2,500	$ 504,376	$ 56,079,962	$ 56,584,338
$ - 0 -	$ 3,205,695	$ (109,528)	$ 3,096,167
$ 739,470	$ 739,470	$ (739,470)	$
	1,324,477	(1,324,477)	
	1,364,331	(1,364,331)	
$ 739,470	$ 3,428,278	$ (3,428,278)	$ - 0 -
$ 741,970	$ 7,138,349		
		$ (14,701,140)	$ (14,701,140)
		501,364	501,364
		1,465,172	1,465,172
		$ (12,734,604)	$ (12,734,604)

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

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JANUARY 31, 2026

Total Fund Balances - Governmental Funds		$ 3,428,278
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		40,127,172
Deferred inflows of resources related to delinquent property tax revenues for the 2025 and prior maintenance tax levies and the 2024 and prior debt service tax levies became part of recognized revenue in the governmental activities.		109,528
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 Developers	$ (4,579,614)	
Accrued Interest Payable	(831,800)	
Bonds Payable	(50,988,168)	(56,399,582)
Total Net Position - Governmental Activities		$ (12,734,604)

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

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JANUARY 31, 2026

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 662,271	$ 2,596,118
Permit Fees	252,620	
Franchise Fees	135,918	
Sales Tax Revenues	46,898	
Investment and Miscellaneous Revenues	50,312	80,606
TOTAL REVENUES	$ 1,148,019	$ 2,676,724
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 272,435	$ 2,250
Contracted Services	444,095	34,982
Inspection Services	205,587	
Repairs and Maintenance	76,837	
Depreciation		
Other	63,762	4,684
Developer Interest		
Capital Outlay	191,306	
Debt Service:		
Bond Principal		1,090,000
Bond Interest		1,716,439
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 1,254,022	$ 2,848,355
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ (106,003)	$ (171,631)
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	$	$ 301,869
Bond Discounts		
Bond Premiums		
TOTAL OTHER FINANCING SOURCES (USES)	$ -0-	$ 301,869
NET CHANGE IN FUND BALANCES	$ (106,003)	$ 130,238
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION FEBRUARY 1, 2025	1,470,334	1,194,239
FUND BALANCES/NET POSITION - JANUARY 31, 2026	$ 1,364,331	$ 1,324,477

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 3,258,389	$ 53,954	$ 3,312,343
	252,620		252,620
	135,918		135,918
	46,898		46,898
30,541	161,459		161,459
$ 30,541	$ 3,855,284	$ 53,954	$ 3,909,238
$	$ 274,685	$	$ 274,685
	479,077		479,077
	205,587		205,587
	76,837		76,837
		1,239,647	1,239,647
372	68,818		68,818
891,920	891,920		891,920
8,190,213	8,381,519	(8,381,519)	
	1,090,000	(1,090,000)	
	1,716,439	129,575	1,846,014
914,840	914,840		914,840
$ 9,997,345	$ 14,099,722	$ (8,102,297)	$ 5,997,425
$ (9,966,804)	$ (10,244,438)	$ 8,156,251	$ (2,088,187)
$ 9,978,131	$ 10,280,000	$ (10,280,000)	$
(217,963)	(217,963)	217,963	
159,937	159,937	(159,937)	
$ 9,920,105	$ 10,221,974	$ (10,221,974)	$ -0-
$ (46,699)	$ (22,464)	$ 22,464	$
		(2,088,187)	(2,088,187)
786,169	3,450,742	(14,097,159)	(10,646,417)
$ 739,470	$ 3,428,278	$ (16,162,882)	$ (12,734,604)

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

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2026

Net Change in Fund Balances - Governmental Funds	$	(22,464)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		53,954
Governmental funds do not account for depreciation. However, in governmental activities, depreciation expense is recorded for capital assets over the estimated useful lives of the assets.		(1,239,647)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases.		8,381,519
Governmental funds report bond discounts and bond premiums as other financing uses and sources when bonds are sold. However, in the Statement of Net Position, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		58,026
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		1,090,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(129,575)
Governmental funds report bond proceeds as other financing sources. However, issued bonds increase long-term liabilities in the Statement of Net Position.		(10,280,000)
Change in Net Position - Governmental Activities	$	(2,088,187)

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

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2026

NOTE 1. CREATION OF DISTRICT

Belmont Fresh Water Supply District No. 2 of Denton County (the "District") was created on August 14, 2007 by an Order of the Commissioner's Court of Denton County as a fresh water supply district. The District was created for the purposes and with the powers set out under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 53, Texas Water Code, as amended. The District was created to conserve, transport, and distribute fresh water from any sources for domestic and commercial purposes inside and/or outside the boundaries of the District. Pursuant to an election held on November 6, 2007, within the District, the District subsequently assumed sanitary sewer powers and road district powers. The District is authorized to purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems to control wastes, and exercise the rights, authority, privileges, and functions of a road district, including those under Chapter 257, Transportation Code. The District is located wholly within Denton County and the extraterritorial jurisdiction of the Town of Argyle (the "Town") and is under the continuing supervision of the Texas Commission on Environmental Quality (the "Commission").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for property taxes and permit fees as well as general and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. The 2025 debt service tax levy has been fully deferred to meet the debt service costs of the upcoming fiscal year.

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.

As of January 31, 2026, the General Fund owed the Debt Service Fund (Tax Fund) $317,120 for maintenance tax collections and the Capital Projects Fund owed the General Fund $2,500 for bond issuance costs. The interfund liabilities are timing differences that were eliminated shortly after year end.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include land, landscaping, and roads as well as the water, wastewater, and drainage systems and are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 30 to 45 years for each class of assets.

Budgeting

The Board adopts an annual budget for the General Fund. 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 Supervisors 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. 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 does 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.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Supervisors. 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. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

Changes in bonds payable for the current fiscal year are presented in the following table:

	February 1, 2025	Additions	Retirements	January 31, 2026
Bonds Payable	$ 41,755,000	$ 10,280,000	$ 1,090,000	$ 50,945,000
Unamortized Discounts	(425,740)	(217,963)	(23,760)	(619,943)
Unamortized Premiums	529,895	159,937	26,721	663,111
Bonds Payable, Net	$ 41,859,155	$ 10,221,974	$ 1,092,961	$ 50,988,168

Amount Due Within One Year	$ 1,155,000
Amount Due After One Year	49,833,168
Bonds Payable, Net	$ 50,988,168

The District has authorized but unissued bonds in the amount of $9,645,000 for the purchase or construction of utility facilities, $30,585,000 for the purchase or construction of roads, $49,385,000 for purposes of refunding utility system bonds and $68,960,000 for the purposes of refunding road bonds.

	Road Series 2019	Utility Series 2020	Road Series 2021
Amount Outstanding – January 31, 2026	$ 4,380,000	$ 2,360,000	$ 3,145,000
Interest Rates	2.50% - 3.375%	2.40% - 3.70%	2.375% - 4.875%
Maturity Dates – Serially Beginning/Ending	March 1, 2026/2044	March 1, 2026/2045	March 1, 2026/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	March 1, 2025*	March 1, 2026*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2019 Road term bonds maturing on March 1, 2031, 2036, 2039, and 2044 are subject to mandatory redemption beginning March 1, 2030, 2035, 2037, and 2040, respectively. The Series 2020 Utility term bonds maturing on March 1, 2045 are subject to mandatory redemption beginning March 1, 2043. The Series 2021 Road term bonds maturing on March 1, 2028, 2030, 2032, 2034, 2037, 2040, 2044, and 2046 are subject to mandatory redemption beginning March 1, 2027, 2029, 2031, 2033, 2035, 2038, 2041, and 2045, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Utility Series 2022	Road Series 2023	Utility Series 2024
Amount Outstanding – January 31, 2026	$ 7,265,000	$ 9,075,000	$ 9,750,000
Interest Rates	4.00% - 6.00%	3.50% - 6.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2026/2047	March 1, 2026/2048	March 1, 2026/2048
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	November 1, 2028*	June 1, 2029*	February 1, 2030*

	Road Series 2024	Utility Series 2025	Road Series 2025
Amount Outstanding – January 31, 2026	4,690,000	$ 6,530,000	$ 3,750,000
Interest Rates	4.00% - 6.50%	4.00% - 6.50%	4.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2026/2049	March 1, 2027/2050	March 1, 2027/2050
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	August 1, 2030*	May 1, 2031*	November 1, 2031*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2022 Utility term bonds maturing on March 1, 2031, 2038, 2040, 2042, 2044, and 2047 are subject to mandatory redemption beginning March 1, 2030, 2037, 2039, 2041, 2043, and 2045, respectively. The Series 2023 road term bonds maturing on March 1, 2038 are subject to mandatory redemption beginning March 1, 2037. The Series 2024 Utility term bonds maturing on March 1, 2036, 2038, 2040, 2042 and 2045 are subject to mandatory redemption beginning March 1, 2035, 2037, 2039, 2041 and 2043, respectively. The Series 2025 Utility term bonds maturing on March 1, 2050 are subject to mandatory redemption beginning March 1, 2049. The Series 2025 road term bonds maturing on March 1, 2036, 2048 and 2050 are subject to mandatory redemption beginning March 1, 2035, 2047 and 2049, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

As of January 31, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 1,155,000	$ 2,016,168	$ 3,171,168
2028	1,435,000	1,988,408	3,423,408
2029	1,495,000	1,916,578	3,411,578
2030	1,555,000	1,844,068	3,399,068
2031	1,615,000	1,774,162	3,389,162
2032-2036	9,180,000	7,827,036	17,007,036
2037-2041	11,260,000	5,866,870	17,126,870
2042-2046	13,855,000	3,379,970	17,234,970
2047-2051	9,395,000	740,188	10,135,188
	$ 50,945,000	$ 27,353,448	$ 78,298,448

The bond orders require the District to levy and collect an ad valorem debt service tax which is levied upon all property subject to taxation within the District without legal limit as to rate or amount. The District levied a debt service tax in the current year at a rate of $0.7975 ($0.4175 for utilities and $0.38 for roads) per $100 of assessed valuation, which resulted in a tax levy of $3,096,167 on the adjusted taxable valuation of $388,234,142 for the 2025 tax year.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The bond orders require that the District provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

During the current fiscal year, Series 2025 Utility Bond proceeds of $301,869 were deposited into the Debt Service Fund and restricted for the payment of bond interest.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

At fiscal year end, the carrying amount of the District's deposits was $3,518,555 and the bank balance was $3,545,222. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits as of January 31, 2026, are summarized below:

	Cash
GENERAL FUND	$ 910,606
DEBT SERVICE FUND	2,285,496
CAPITAL PROJECTS FUND	322,453
TOTAL DEPOSITS	$ 3,518,555

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."

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

No person may invest District funds without express written authority from the Board of Supervisors. 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 "Act"). The District's written investment policy may be more restrictive that the Act and establishes the guidelines by which it may invest. This policy is reviewed annually.

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

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
LOGIC	$ 877,030	$ 877,030
DEBT SERVICE FUND		
LOGIC	892,534	892,534
CAPITAL PROJECTS FUND		
LOGIC	419,517	419,517
TOTAL INVESTMENTS	$ 2,189,081	$ 2,189,081

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Water and wastewater facilities constructed by the District with funds provided by developers for the purposes of providing water service and wastewater service to District residents are conveyed to other entities for ownership and maintenance. The District considers these assets to be intangible right-to-use capital assets and therefore continues to record these assets in its financial statements.

Changes in capital assets during the current fiscal year are summarized the following table:

	February 1, 2025	Increases	Decreases	January 31, 2026
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,417,539	$ 324,216	$ - 0 -	$ 1,741,755
Capital Assets Subject to Depreciation				
Roads and Paving	$ 15,971,748	$ 1,100,794	$	$ 17,072,542
Water and Sanitary Sewer System	15,542,461	5,031,789		20,574,250
Drainage System	2,354,728	191,306		2,546,034
Landscaping	2,792,743	531,182		3,323,925
Total Capital Assets Subject to Depreciation	$ 36,661,680	$ 6,855,071	$ - 0 -	$ 43,516,751
Accumulated Depreciation				
Roads and Paving	$ 903,788	$ 429,814	$	$ 1,333,602
Water and Sanitary Sewer System	1,915,862	575,446		2,491,308
Drainage System	258,512	53,399		311,911
Landscaping	813,525	180,988		994,513
Total Accumulated Depreciation	$ 3,891,687	$ 1,239,647	$ - 0 -	$ 5,131,334
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 32,769,993	$ 5,615,424	$ - 0 -	$ 38,385,417
Total Capital Assets, Net of Accumulated Depreciation	$ 34,187,532	$ 5,939,640	$ - 0 -	$ 40,127,172

NOTE 7. MAINTENANCE TAX

On May 11, 2013, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay any lawfully authorized operating and administrative expenditures of the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of $0.1825 per $100 of assessed valuation, which resulted in a tax levy of $708,527 on the adjusted taxable valuation of $388,234,142 for the 2025 tax year.

NOTE 7. MAINTENANCE TAX (Continued)

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 are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 8. UNREIMBURSED COSTS

Pursuant to financing agreements with Developers within the District, Developers have made payments on behalf of the District for the construction of utilities and road infrastructure. The District has an obligation to reimburse the Developers for these costs from proceeds of bond issuances or other available funds to the extent permitted by applicable law. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developers. See also Note 15 for more information on the issuance of bonds to reimburse the Developers. The following table summarizes current year activity:

Due to Developer, beginning of year	$	5,781,844
Plus: Current year additions		6,987,983
Less: Current year reimbursements		(8,190,213)
Due to Developer, end of year	$	4,579,614

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission 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 past three years.

NOTE 10. DEVELOPMENT AGREEMENT

Belmont 407, LLC, Realty Capital Argyle 114, Ltd., and the Town entered into a Second Amended and Restated Development Agreement, effective May 1, 2014. Such agreement was amended by a First Amendment to the Second Amended and Restated Development Agreement, effective March 5, 2019, and Second Amendment to Second Amended and Restated Development Agreement, dated August 15, 2022. Pursuant to a Joinder Agreement, dated April 19, 2017, the District confirmed and adopted the applicable terms of the Second Amended and Restated Development Agreement, as such agreement may be amended from time to time.

NOTE 10. DEVELOPMENT AGREEMENT (Continued)

The Development Agreement establishes permitted land uses and development densities for the area within the District; establishes platting process and fees, building codes and standards, and inspection and permitting procedures and fees; provides immunity from full-purpose annexation by the Town, until certain conditions are met; recognizes the Town as the exclusive retail sewer service provider; establishes road and utility infrastructure to be constructed by the District for the area within its boundaries; allocates wastewater capacities to the District; provides for the Town's delivery of wastewater collection and treatment service to the area within the District; establishes requirements for payment of certain Trinity River Authority ("TRA") flow charges by the District; provides for the reimbursement to District developers for funds advanced for construction of the TRA sewer interceptor line ("Interceptor Line") serving the area within the District; provides for the donation of school sites by the Developer; and provides a process for the provision of police services to the area within the District. The Town will be the sole provider of retail wastewater service to residential and commercial customers in the District at the same rates as provided to other customers within the Town. The term of the Development Agreement is 15 years from October 2, 2017, the Initial Final Plat Date, but not later than May 1, 2034, 20 years from its effective date.

NOTE 11. WATER SERVICE AND WASTEWATER SERVICE

Wastewater Service

The area within the District lies wholly within the wastewater CCN number 20286 held by the Town. The Town is the provider of retail wastewater service to the users within the District. The TRA, Towns of Argyle, Flower Mound, and Northlake entered into a four-party agreement for the design and construction of a regional sanitary sewer conveyance system, including the Interceptor Line. Pursuant to such four-party agreement, the Town has total capacity of 4.339 million gallons per day ("mgd") peak flow in the Interceptor Line. Pursuant to the Development Agreement, the Town has agreed it has adequate wastewater capacity available and reserved to serve full development within the District. Such allocation was made in consideration for Developer's advancing funds to the Town on behalf of the District for construction of the Interceptor Line.

Upon completion of a phase of internal wastewater collection facilities by or on behalf of the District, the District conveys such facilities to the Town. Such conveyances are made in consideration of various agreements made by the Town in the Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond.

NOTE 11. WATER SERVICE AND WASTEWATER SERVICE (Continued)

Water Service

The area within the District lies wholly within the water certificate of convenience and necessity ("CCN") number 10199 held by WSC. Under that Non-Standard Water Service Contract, dated effective February 17, 2017, entered into by the District, Belmont 407, LLC, Realty Capital Argyle 114, Ltd, Harvest Townside Phase 1, LLC, and WSC, and that First Amendment to Non-Standard Water Service Contract dated effective December 11, 2018, made by and between the same parties (collectively, the "Water Contract No. 1"), WSC agreed to provide retail water service to 525 equivalent single-family connections ("esfcs") in the District for Harvest Townside Phase 1 and Phase 2, and Harvest Townhomes Phase 1 and Phase 2.

Pursuant to Water Contract No. 1, on behalf of the District, the Developer funded construction of a 12-inch waterline that extended the WSC system to the District boundary, as well as the internal water distribution lines serving the four aforementioned phases. The Developer also advanced funds on behalf of the District for payment of 50% of the $4,557 capital recovery fee established by WSC for providing service to each esfc within those phases, with the builder being responsible for payment of the balance as a request for service to an esfc is made.

Pursuant to that Non-Standard Water Service Contract No. 2, effective October 15, 2020 ("Water Contract No. 2," and along with Water Contract No. 1, the "Water Contracts"), among WSC, District, Developer, and others, WSC agreed to provide water service to 1,372 esfcs for the remainder of the District area. Pursuant to Water Contract No. 2, the Developer funded construction of a 16-inch waterline that extended the WSC system to the District's eastern boundary, and is currently funding internal lines for Harvest Phases, 12 and 16. The Developer has also agreed to advance on behalf of the District the WSC $4,557 capital recovery fee for each esfc within the remainder of the District, as the District is responsible for payment of 100% of such fee.

Upon completion of a phase of water distribution facilities by or on behalf of the District, the District conveys such facilities to the WSC. Such conveyances are made in consideration of various agreements made by the WSC in the Water Contracts, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond.

NOTE 12. JOINT CONTRACTS

On November 1, 2014, the District entered into a joint road construction contract with Belmont Fresh Water Supply District No. 1 of Denton County ("District No. 1"). The Amended and Restated Joint Road Contract and the First Amendment to Amended and Restated Joint Road Contract were entered into on January 20, 2016, and January 17, 2018, respectively. The districts will acquire and construct joint road facilities in phases by segments. Each district agrees to pay its proportionate share of acquisition/construction, operation and maintenance costs of the joint road facilities. Each district will own its proportionate share of each segment of the joint road facilities that are constructed. The term of this agreement is 50 years.

On January 20, 2016, the District and District No. 1 entered into a Contract for Joint Drainage Improvements in Aid of Roads. This contract was amended on January 18, 2017. The contract provides for both districts to share in the costs and expenses related to the construction, ownership, operation and maintenance of certain drainage improvements as part of the respective road system that will serve each district, based on the relative benefit received. The term of this agreement is 50 years.

NOTE 13. LAW ENFORCEMENT AGREEMENT

Effective May 1, 2024, the District entered into an Amended and Restated Interlocal Cooperation Agreement for Law Enforcement Services with the Town. Under the Agreement, the Town agrees to provide law enforcement and protection services to the area within the District. In consideration for such services, the District agrees to make quarterly payments to the Town based on the Town's estimated costs to provide services on a per single family residential unit basis (the "Annual Unit Cost"). The base rate for the Annual Unit Cost was set at $200, subject to annual escalations through the term of the Agreement. The quarterly payments are based upon (i) the number of completed single family residential units as of the first day of the quarter, (ii) multiplied by the Annual Unit Cost then in effect, and (iii) with the product divided by four. This contract was originally in effect until April 30, 2027, but was terminated by mutual agreement subsequent to year end on May 31, 2026.

The District entered into a law enforcement agreement with the Town of Argyle, Texas which was effective February 25, 2025, and continues through April 30, 2027. Under the Agreement, the Town agrees to provide law enforcement services to the Commercial Tract as discussed in the SPA Agreement (see Note 16). The Annual Cost for the first 12 months of services will be $122,410, with future increases not to exceed 10% without the District's written approval. The District will pay 35% of the Annual Cost until the anchor grocery store is completed. Thereafter, the District will pay 50% of the Annual Cost and the Town will pay the other 50%.

NOTE 14. FRANCHISE AGREEMENTS

The District constructs, owns, maintains, and repairs the public streets and alleys and associated rights-of-way within its boundaries, as well as certain portions of Old Justin Road. In order to defray the cost of maintaining and repairing these streets, alleys, and associated rights-of-way, the District has entered into agreements with several local utility providers, including Atmos Energy Corporation, effective April 17, 2013, CoServ Electric, effective July 21, 2021, and Allied Waste Services, effective April 10, 2024, pursuant to which such utilities make periodic payments to the District for certain rights regarding use of District streets, alleys, and rights-of-way. The Atmos agreement has a term ending December 31, 2027; the CoServ agreement has an initial 10-year term with automatic 1-year extensions in term; and the Allied agreement has an initial 3-year term with automatic 3-year extensions in term.

NOTE 15. BOND SALES

On May 29, 2025, the District closed on the sale of its $6,530,000 Series 2025 Unlimited Tax Bonds. The District used bond proceeds to reimburse the Developers for construction and engineering costs for the following projects: water and wastewater facilities to serve Harvest Townhomes Phase 2, Harvest Phase 16A, Harvest Phase 16B, and Harvest Commercial; and capital recovery fees paid to Argyle Water Supply Corporation. The District also used bond proceeds to pay for bond issuance costs, fund capitalized interest, and pay Developer interest.

On November 13, 2025, the District closed on the sale of its $3,750,000 Series 2025 Unlimited Tax Road Bonds. Proceeds were used to reimburse the Developers for road-related construction and engineering costs for Harvest Phase 16 and land right-of-way costs. The District also used bond proceeds to pay for bond issuance costs and pay Developer interest.

NOTE 16. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement ("SPA") with the Town of Argyle, Texas which was effective December 16, 2024. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code, the Town has annexed a portion of the area within the District (referred to in the agreement as the "Commercial Tract") for limited purposes, including but not limited to, the imposition of a sales and use tax within the Commercial Tract. The Town has adopted a 1% sales and use tax and the Argyle Municipal Development District has adopted a 0.25% local sales tax, both of which will be collected within the boundaries of the Commercial Tract. The Town pays to the District one-half of the 1% Sales and Use Tax revenues collected within the Commercial Tract within 30 days of the Town's receipt of the sales report from the State Comptroller. This agreement continues for 45 years from the effective date, unless terminated earlier, and may be extended with mutual agreement by both parties.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JANUARY 31, 2026

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JANUARY 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 380,044	$ 662,271	$ 282,227
Permit Fees	650,000	252,620	(397,380)
Franchise Fees	89,000	135,918	46,918
Sales Tax Revenues		46,898	46,898
Investment and Miscellaneous Revenues	36,500	50,312	13,812
TOTAL REVENUES	$ 1,155,544	$ 1,148,019	$ (7,525)
EXPENDITURES			
Service Operations:			
Professional Fees	$ 339,750	$ 272,435	$ 67,315
Contracted Services	244,000	444,095	(200,095)
Inspection Services	210,000	205,587	4,413
Repairs and Maintenance	61,500	76,837	(15,337)
Other	57,491	63,762	(6,271)
Capital Outlay	266,600	191,306	75,294
TOTAL EXPENDITURES	$ 1,179,341	$ 1,254,022	$ (74,681)
NET CHANGE IN FUND BALANCE	$ (23,797)	$ (106,003)	$ (82,206)
FUND BALANCE - FEBRUARY 1, 2025	1,470,334	1,470,334	
FUND BALANCE - JANUARY 31, 2026	$ 1,446,537	$ 1,364,331	$ (82,206)

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JANUARY 31, 2026

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JANUARY 31, 2026

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

____	Retail Water	____	Wholesale Water	X	Drainage
____	Retail Wastewater	____	Wholesale Wastewater	____	Irrigation
X	Parks/Recreation	____	Fire Protection	X	Security
X	Solid Waste/Garbage	____	Flood Control	X	Roads

____ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

____ See Note 11 for services provided by the Town of Argyle and the Argyle Water WSC.

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 - Denton County, Texas

Is the District located within a city?

Entirely ____ Partly ____ Not at all X

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

Entirely X Partly ____ Not at all ____

ETJ in which District is located – Town of Argyle, Texas

Are Board Members appointed by an office outside the District?

Yes ____ No X

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JANUARY 31, 2026

PROFESSIONAL FEES:		
Auditing	$	19,500
Engineering		100,399
Legal		152,536
TOTAL PROFESSIONAL FEES	$	272,435
CONTRACTED SERVICES:		
Bookkeeping	$	17,472
Security		426,623
TOTAL CONTRACTED SERVICES	$	444,095
REPAIRS AND MAINTENANCE	$	76,837
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	17,493
Insurance		5,979
Street Lights		5,217
Website		31,729
Legal Notices and Other		3,344
TOTAL ADMINISTRATIVE EXPENDITURES	$	63,762
CAPITAL OUTLAY	$	191,306
INSPECTION FEES	$	205,587
TOTAL EXPENDITURES	$	1,254,022

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
INVESTMENTS
JANUARY 31, 2026

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
LOGIC	XXX9001	Varies	Daily	$ 877,030	$ - 0 -
DEBT SERVICE FUND					
LOGIC	XXX9002	Varies	Daily	$ 211,457	$
LOGIC	XXX9003	Varies	Daily	681,077	
TOTAL DEBT SERVICE FUND				$ 892,534	$ - 0 -
CAPITAL PROJECTS FUND					
LOGIC	XXX9004	Varies	Daily	$ 419,517	$ - 0 -
TOTAL - ALL FUNDS				$ 2,189,081	$ - 0 -

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2026

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - FEBRUARY 1, 2025	$ 53,835		$ 352,077	
Adjustments to Beginning Balance	750	$ 54,585	1,418	$ 353,495
Original 2025 Tax Levy	$ 710,115		$ 3,103,106	
Adjustment to 2025 Tax Levy	(1,588)	708,527	(6,939)	3,096,167
TOTAL TO BE ACCOUNTED FOR		$ 763,112		$ 3,449,662
TAX COLLECTIONS:				
Prior Years	$ 53,256		$ 344,808	
Current Year	609,015	662,271	2,661,312	3,006,120
TAXES RECEIVABLE - JANUARY 31, 2026		$ 100,841		$ 443,542
TAXES RECEIVABLE BY YEAR:				
2025		$ 99,512		$ 434,855
2024 and prior		1,329		8,687
TOTAL		$ 100,841		$ 443,542

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2026

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	$ 144,607,393	$ 138,414,418	$ 87,739,868	$ 47,585,762
Improvements	287,799,242	200,630,034	139,359,750	80,020,461
Personal Property	3,161,256	364,554	79,119	245,257
Exemptions	(47,333,749)	(33,316,228)	(15,257,287)	(12,166,208)
TOTAL PROPERTY VALUATIONS	$ 388,234,142	$ 306,092,778	$ 211,921,450	$ 115,685,272
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.7975	$ 0.85	$ 0.8725	$ 0.80
Maintenance	0.1825	0.13	0.1275	0.20
TOTAL TAX RATES PER $100 VALUATION	$ 0.9800	$ 0.98	$ 1.0000	$ 1.00
ADJUSTED TAX LEVY*	$ 3,804,695	$ 2,999,709	$ 2,119,215	$ 1,156,853
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	85.96 %	99.67 %	99.99 %	100.00 %

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

Maintenance Tax – Maximum tax rate of an unlimited amount per $100 of assessed valuation approved by voters on May 11, 2013.

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2019 ROAD		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 165,000	$ 136,631	$ 301,631
2028	170,000	132,358	302,358
2029	175,000	127,786	302,786
2030	185,000	122,834	307,834
2031	190,000	117,394	307,394
2032	195,000	111,619	306,619
2033	205,000	105,619	310,619
2034	210,000	99,394	309,394
2035	220,000	92,806	312,806
2036	225,000	85,712	310,712
2037	235,000	78,237	313,237
2038	245,000	70,284	315,284
2039	250,000	61,931	311,931
2040	260,000	53,325	313,325
2041	270,000	44,381	314,381
2042	280,000	35,099	315,099
2043	290,000	25,481	315,481
2044	300,000	15,525	315,525
2045	310,000	5,231	315,231
2046			
2047			
2048			
2049			
2050			
2051			
	$ 4,380,000	$ 1,521,647	$ 5,901,647

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2020 UTILITY		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 85,000	$ 75,570	$ 160,570
2028	85,000	73,487	158,487
2029	90,000	71,255	161,255
2030	90,000	68,871	158,871
2031	95,000	66,324	161,324
2032	100,000	63,545	163,545
2033	105,000	60,520	165,520
2034	105,000	57,370	162,370
2035	110,000	54,145	164,145
2036	115,000	50,713	165,713
2037	120,000	47,010	167,010
2038	120,000	43,110	163,110
2039	125,000	39,005	164,005
2040	130,000	34,605	164,605
2041	135,000	29,934	164,934
2042	140,000	25,018	165,018
2043	145,000	19,851	164,851
2044	150,000	14,430	164,430
2045	155,000	8,787	163,787
2046	160,000	2,960	162,960
2047			
2048			
2049			
2050			
2051			
	$ 2,360,000	$ 906,510	$ 3,266,510

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2021 ROAD		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 95,000	$ 89,003	$ 184,003
2028	100,000	84,687	184,687
2029	100,000	80,687	180,687
2030	100,000	77,187	177,187
2031	100,000	74,187	174,187
2032	100,000	71,187	171,187
2033	95,000	68,262	163,262
2034	105,000	65,262	170,262
2035	100,000	62,187	162,187
2036	105,000	59,112	164,112
2037	105,000	55,963	160,963
2038	110,000	52,738	162,738
2039	115,000	49,363	164,363
2040	115,000	45,913	160,913
2041	115,000	42,463	157,463
2042	120,000	38,938	158,938
2043	120,000	35,338	155,338
2044	125,000	31,663	156,663
2045	130,000	27,838	157,838
2046	455,000	20,484	475,484
2047	635,000	7,541	642,541
2048			
2049			
2050			
2051			
	$ 3,145,000	$ 1,140,003	$ 4,285,003

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2022 UTILITY		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 200,000	$ 326,869	$ 526,869
2028	205,000	314,719	519,719
2029	215,000	302,119	517,119
2030	225,000	290,044	515,044
2031	235,000	279,719	514,719
2032	250,000	270,019	520,019
2033	260,000	259,819	519,819
2034	270,000	249,219	519,219
2035	285,000	237,762	522,762
2036	295,000	225,437	520,437
2037	310,000	212,581	522,581
2038	325,000	198,884	523,884
2039	340,000	184,338	524,338
2040	355,000	168,913	523,913
2041	370,000	152,600	522,600
2042	390,000	135,500	525,500
2043	405,000	117,612	522,612
2044	425,000	98,937	523,937
2045	445,000	79,363	524,363
2046	465,000	58,306	523,306
2047	485,000	35,744	520,744
2048	510,000	12,112	522,112
2049			
2050			
2051			
	$ 7,265,000	$ 4,210,616	$ 11,475,616

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2023 ROAD		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 235,000	$ 372,731	$ 607,731
2028	245,000	358,331	603,331
2029	260,000	343,181	603,181
2030	270,000	327,282	597,282
2031	285,000	313,125	598,125
2032	300,000	301,069	601,069
2033	315,000	288,769	603,769
2034	325,000	276,781	601,781
2035	340,000	265,144	605,144
2036	360,000	252,669	612,669
2037	375,000	239,113	614,113
2038	385,000	224,382	609,382
2039	405,000	208,581	613,581
2040	425,000	191,981	616,981
2041	445,000	174,581	619,581
2042	460,000	156,481	616,481
2043	485,000	137,581	622,581
2044	505,000	117,781	622,781
2045	525,000	97,181	622,181
2046	545,000	75,781	620,781
2047	400,000	56,881	456,881
2048	580,000	36,919	616,919
2049	605,000	12,478	617,478
2050			
2051			
	$ 9,075,000	$ 4,828,803	$ 13,903,803

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2024 UTILITY		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 255,000	$ 383,625	$ 638,625
2028	265,000	374,500	639,500
2029	280,000	363,600	643,600
2030	290,000	352,200	642,200
2031	300,000	340,400	640,400
2032	315,000	328,100	643,100
2033	330,000	315,200	645,200
2034	345,000	301,700	646,700
2035	360,000	287,600	647,600
2036	375,000	272,900	647,900
2037	390,000	257,600	647,600
2038	405,000	241,700	646,700
2039	425,000	225,100	650,100
2040	445,000	207,700	652,700
2041	465,000	189,500	654,500
2042	485,000	170,500	655,500
2043	505,000	150,700	655,700
2044	525,000	130,100	655,100
2045	550,000	108,600	658,600
2046	570,000	86,200	656,200
2047	595,000	62,900	657,900
2048	625,000	38,500	663,500
2049	650,000	13,000	663,000
2050			
2051			
	$ 9,750,000	$ 5,201,925	$ 14,951,925

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2024 ROAD		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$ 120,000	$ 195,175	$ 315,175
2028	125,000	187,213	312,213
2029	130,000	179,250	309,250
2030	135,000	171,975	306,975
2031	140,000	165,100	305,100
2032	145,000	158,700	303,700
2033	150,000	152,800	302,800
2034	155,000	146,700	301,700
2035	165,000	140,300	305,300
2036	170,000	133,600	303,600
2037	175,000	126,700	301,700
2038	185,000	119,500	304,500
2039	190,000	112,000	302,000
2040	200,000	104,200	304,200
2041	205,000	96,100	301,100
2042	215,000	87,700	302,700
2043	225,000	78,900	303,900
2044	235,000	69,700	304,700
2045	245,000	60,100	305,100
2046	255,000	50,100	305,100
2047	265,000	39,700	304,700
2048	275,000	28,900	303,900
2049	285,000	17,700	302,700
2050	300,000	6,000	306,000
2051			
	$ 4,690,000	$ 2,628,113	$ 7,318,113

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2025 UTILITY		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$	$ 301,869	$ 301,869
2028	150,000	296,994	446,994
2029	155,000	287,081	442,081
2030	165,000	276,681	441,681
2031	170,000	265,794	435,794
2032	180,000	254,419	434,419
2033	190,000	243,463	433,463
2034	200,000	234,356	434,356
2035	210,000	226,156	436,156
2036	220,000	217,556	437,556
2037	230,000	208,556	438,556
2038	240,000	199,156	439,156
2039	250,000	189,200	439,200
2040	265,000	178,578	443,578
2041	275,000	167,269	442,269
2042	290,000	155,263	445,263
2043	305,000	142,428	447,428
2044	320,000	128,756	448,756
2045	335,000	114,428	449,428
2046	350,000	99,225	449,225
2047	370,000	83,025	453,025
2048	385,000	66,038	451,038
2049	405,000	48,263	453,263
2050	425,000	29,588	454,588
2051	445,000	10,012	455,012
	$ 6,530,000	$ 4,424,154	$ 10,954,154

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

	SERIES-2025 ROAD		
Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2027	$	$ 134,695	$ 134,695
2028	90,000	166,119	256,119
2029	90,000	161,619	251,619
2030	95,000	156,994	251,994
2031	100,000	152,119	252,119
2032	105,000	146,994	251,994
2033	110,000	141,619	251,619
2034	115,000	135,994	250,994
2035	120,000	130,119	250,119
2036	125,000	124,619	249,619
2037	135,000	119,419	254,419
2038	140,000	113,919	253,919
2039	145,000	108,219	253,219
2040	150,000	102,319	252,319
2041	160,000	95,919	255,919
2042	165,000	89,013	254,013
2043	175,000	81,678	256,678
2044	185,000	73,688	258,688
2045	190,000	65,250	255,250
2046	200,000	56,475	256,475
2047	210,000	47,250	257,250
2048	220,000	37,575	257,575
2049	230,000	27,450	257,450
2050	240,000	16,875	256,875
2051	255,000	5,737	260,737
	$ 3,750,000	$ 2,491,677	$ 6,241,677

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2026

Due During Fiscal Years Ending January 31	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 1,155,000	$ 2,016,168	$ 3,171,168
2028	1,435,000	1,988,408	3,423,408
2029	1,495,000	1,916,578	3,411,578
2030	1,555,000	1,844,068	3,399,068
2031	1,615,000	1,774,162	3,389,162
2032	1,690,000	1,705,652	3,395,652
2033	1,760,000	1,636,071	3,396,071
2034	1,830,000	1,566,776	3,396,776
2035	1,910,000	1,496,219	3,406,219
2036	1,990,000	1,422,318	3,412,318
2037	2,075,000	1,345,179	3,420,179
2038	2,155,000	1,263,673	3,418,673
2039	2,245,000	1,177,737	3,422,737
2040	2,345,000	1,087,534	3,432,534
2041	2,440,000	992,747	3,432,747
2042	2,545,000	893,512	3,438,512
2043	2,655,000	789,569	3,444,569
2044	2,770,000	680,580	3,450,580
2045	2,885,000	566,778	3,451,778
2046	3,000,000	449,531	3,449,531
2047	2,960,000	333,041	3,293,041
2048	2,595,000	220,044	2,815,044
2049	2,175,000	118,891	2,293,891
2050	965,000	52,463	1,017,463
2051	700,000	15,749	715,749
	$ 50,945,000	$ 27,353,448	$ 78,298,448

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JANUARY 31, 2026

Description	Original Bonds Issued	Bonds Outstanding February 1, 2025
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2019	$ 4,990,000	$ 4,540,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Bonds - Series 2020	2,660,000	2,440,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2021	3,430,000	3,240,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Bonds - Series 2022	7,635,000	7,455,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2023	9,295,000	9,295,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Bonds - Series 2024	9,995,000	9,995,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2024	4,790,000	4,790,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Bonds - Series 2025	6,530,000	
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2025	3,750,000	
TOTAL	$ 53,075,000	$ 41,755,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	January 31, 2026	Paying Agent
$	$ 160,000	$ 140,614	$ 4,380,000	Regions Bank Houston, TX
	80,000	77,510	2,360,000	Regions Bank Houston, TX
	95,000	93,634	3,145,000	Regions Bank Houston, TX
	190,000	338,569	7,265,000	Regions Bank Houston, TX
	220,000	386,381	9,075,000	Regions Bank Houston, TX
	245,000	391,125	9,750,000	Regions Bank Houston, TX
	100,000	211,462	4,690,000	Regions Bank Houston, TX
6,530,000		77,144	6,530,000	Regions Bank Houston, TX
3,750,000			3,750,000	Regions Bank Houston, TX
$ 10,280,000	$ 1,090,000	$ 1,716,439	$ 50,945,000	

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JANUARY 31, 2026

Bond Authority:	Utility Bonds	Road Bonds	Utility Refunding Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 36,465,000	$ 56,840,000	$ 49,385,000	$ 68,960,000
Amount Issued	(26,820,000)	(26,255,000)		
Remaining to be Issued	$ 9,645,000	$ 30,585,000	$ 49,385,000	$ 68,960,000

Debt Service Fund cash and investment balances as of January 31, 2026:	$ 3,178,030
Average annual debt service payment for remaining term of all bond debt:	$ 3,131,938

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

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 662,271	$ 419,026	$ 237,256
Permit Fees	252,620	602,536	382,200
Franchise Fees	135,918	82,291	27,248
Sales Tax Revenues	46,898		
Investment and Miscellaneous Revenues	50,312	55,296	42,139
TOTAL REVENUES	$ 1,148,019	$ 1,159,149	$ 688,843
EXPENDITURES			
Professional Fees	$ 272,435	$ 313,433	$ 233,558
Contracted Services	444,095	157,853	77,077
Repairs and Maintenance	76,837	70,565	31,078
Inspection Services	205,587	215,564	154,464
Other	63,762	52,558	44,831
Capital Outlay	191,306		
TOTAL EXPENDITURES	$ 1,254,022	$ 809,973	$ 541,008
NET CHANGE IN FUND BALANCE	$ (106,003)	$ 349,176	$ 147,835
BEGINNING FUND BALANCE	1,470,334	1,121,158	973,323
ENDING FUND BALANCE	$ 1,364,331	$ 1,470,334	$ 1,121,158

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 227,740	$ 291,734	57.7 %	36.1 %	34.4 %	32.4 %	56.6 %
432,400	211,000	22.0	52.0	55.5	61.5	40.9
17,752	10,262	11.8	7.1	4.0	2.5	2.0
		4.1				
25,538	2,807	4.4	4.8	6.1	3.6	0.5
$ 703,430	$ 515,803	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 335,626	$ 195,273	23.7 %	27.0 %	33.9 %	47.7 %	37.9 %
70,809	42,281	38.7	13.6	11.2	10.1	8.2
19,318	1,660	6.7	6.1	4.5	2.7	0.3
104,021	43,400	17.9	18.6	22.4	14.8	8.4
40,800	29,749	5.6	4.5	6.5	5.8	5.8
		16.7				
$ 570,574	$ 312,363	109.3 %	69.8 %	78.5 %	81.1 %	60.6 %
$ 132,856	$ 203,440	(9.3) %	30.2 %	21.5 %	18.9 %	39.4 %
840,467	637,027					
$ 973,323	$ 840,467					

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 2,596,118	$ 1,859,926	$ 938,530
Investment and Miscellaneous Revenues	80,606	86,052	32,804
TOTAL REVENUES	$ 2,676,724	$ 1,945,978	$ 971,334
EXPENDITURES			
Other	$ 36,039	$ 2,660	$ 2,539
Debt Service Principal	1,090,000	505,000	320,000
Debt Service Interest and Fees	1,722,316	1,366,408	615,862
TOTAL EXPENDITURES	$ 2,848,355	$ 1,874,068	$ 938,401
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (171,631)	$ 71,910	$ 32,933
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	$ 301,869	$ 197,400	$ 196,491
NET CHANGE IN FUND BALANCE	$ 130,238	$ 269,310	$ 229,424
BEGINNING FUND BALANCE	1,194,239	924,929	695,505
ENDING FUND BALANCE	$ 1,324,477	$ 1,194,239	$ 924,929
TOTAL ACTIVE RETAIL WATER CONNECTIONS	**	**	**
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	**	**	**

** Water and wastewater services are provided by other entities; see Note 11.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 497,546	$ 285,315	97.0 %	95.6 %	96.6 %	98.7 %	100.0 %
6,496	76	3.0	4.4	3.4	1.3	
$ 504,042	$ 285,391	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 1,481	$ 352	1.3 %	0.1 %	0.3 %	0.3 %	0.1 %
215,000		40.7	26.0	32.9	42.7	
310,524	247,139	64.3	70.2	63.4	61.6	86.6
$ 527,005	$ 247,491	106.3 %	96.3 %	96.6 %	104.6 %	86.7 %
$ (22,963)	$ 37,900	(6.3) %	3.7 %	3.4 %	(4.6) %	13.3 %
$ 355,069	$ 105,212					
$ 332,106	$ 143,112					
363,399	220,287					
$ 695,505	$ 363,399					
**	**					
**	**					

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2026

District Mailing Address	-	Belmont Fresh Water Supply District No. 2 of Denton County c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District Telephone Number	-	(713) 860-6400

Supervisors:	Term of Office (Elected or Appointed)	Fees of Office for the year ended January 31, 2026	Expense Reimbursements for the year ended January 31, 2026	Title
Mike Knisley	08/2022 05/2026 (Appointed)	$ 2,652	$ 1	President
Mitchell Baird	05/2024 05/2028 (Elected)	$ 3,978	$ 1,347	Vice President
Larry Thompson	02/2025 05/2026 (Appointed)	$ 3,094	$ 1	Secretary
Jeremy Spivey	03/2025 05/2028 (Appointed)	$ 2,431	$ -0-	Treasurer/ Assistant Secretary
Elizabeth Noble	08/2025 05/2026 (Appointed)	$ 1,768	$ 1	Assistant Secretary

Notes:

No Supervisor 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 limit on Fees of Office that a Supervisor may receive during a fiscal year is $7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Supervisor during the District's current fiscal year.

See accompanying independent auditor's report.

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2026

Consultants:	Date Hired	Fees / Compensation for the year ended January 31, 2026	Title
Allen Boone Humphries Robinson, LLP	01/01/23	$ 152,536	General Counsel
McCall Parkhurst & Horton L.L.P.	08/30/07	$ 282,780	Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	01/16/19	$ 19,500 $ 36,500	Auditor Bond Related
Dye & Tovery LLC	12/10/25	$ 5,051	Bookkeeper
L & S District Services, LLC	04/18/18	$ 14,821	Former Bookkeeper
Jones-Heroy & Associates, Inc.		$ 15,000	Bond Engineer
Westwood Professional Services, Inc.	03/08/22	$ 100,399	Engineer
Robert W. Baird & Co. Incorporated	01/18/16	$ 216,801	Financial Advisor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

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

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

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

SPECIMEN

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN