HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY, TEXAS
(Denton County, Texas)

PRELIMINARY OFFICIAL
STATEMENT DATED: OCTOBER 27, 2026

$9,045,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

SUBMISSION OF BIDS:
10:00 A.M., CENTRAL TIME
THURSDAY, NOVEMBER 19, 2026

AWARD OF BIDS:
1:00 P.M., CENTRAL TIME
THURSDAY, NOVEMBER 19, 2026

CEDAR CREEK
MUNICIPAL ADVISORS

Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 27, 2026

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

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

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

NEW ISSUE – BOOK-ENTRY-ONLY **NON-RATED**

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY, TEXAS
(A political subdivision of the State of Texas, located within Denton County, Texas)

$9,045,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

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

The $9,045,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are obligations of Hunter Ranch Improvement District No. 2 of Denton County, Texas (the "District") and are not obligations of the State of Texas; Denton County, Texas; the City of Denton, Texas ("the City"); or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the City; the Master District (defined herein); nor any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

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

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

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

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of constructing, acquiring, improving, maintaining, and operating internal roadways and improvements in aid thereof to serve the District (the "Road System"). At an election held on November 4, 2025, voters of the District authorized the District's issuance of the following unlimited tax bonds: $999,230,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage and storm sewer systems to serve the District (the "Utility System") and for refunding bonds issued by the District for the Utility System, and $945,595,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System") and for refunding bonds issued by the District for the Road System, together with the levy of ad valorem taxes, without limit as to rate or amount, sufficient to pay the principal of and interest on such bonds. See "THE BONDS – Authority for Issuance." At the same election, voters of the District also approved the provisions of a contract between the District and the Master District (the "Master District Contract"), including the levy of a tax (the "Master District Contract Tax") to make payments thereunder (i) for the District's share of the debt service requirements of the Master District's bonds issued for water, sewer, and drainage facilities (the "Master District Water, Sewer, and Drainage Bonds"); and (ii) for the District's share of the debt service requirements of the Master District's bonds issued for road facilities (the "Master District Road Bonds" and, together with the Master District Water, Sewer, and Drainage Bonds, the "Master District Bonds"), all as defined and provided for in the Master District Contract. The Master District Contract Tax is not pledged to the payment of the Bonds. See "THE MASTER DISTRICT." See "THE MASTER DISTRICT."

The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment." The Bonds are subject to certain risk factors described herein. Prior to making an investment decision, prospective purchasers of the Bonds are encouraged to read this entire Official Statement, including particularly the section titled "RISK FACTORS."

The Bonds are offered, when, as and if issued by the District to the winning bidders of the Bonds (the "Initial Purchaser") subject, among other things, to the approval of the Attorney General of Texas and of certain legal matters by Allen Boone Humphries Robinson LLP, Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 15, 2026.

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

$9,045,000 UNLIMITED TAX ROAD BONDS, SERIES 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2028	$ 145,000	___%	___%	___	2042 (c)	$ 305,000	___%	___%	___
2029	150,000	___%	___%	___	2043 (c)	320,000	___%	___%	___
2030	160,000	___%	___%	___	2044 (c)	335,000	___%	___%	___
2031	170,000	___%	___%	___	2045 (c)	355,000	___%	___%	___
2032	180,000	___%	___%	___	2046 (c)	375,000	___%	___%	___
2033 (c)	185,000	___%	___%	___	2047 (c)	395,000	___%	___%	___
2034 (c)	195,000	___%	___%	___	2048 (c)	420,000	___%	___%	___
2035 (c)	210,000	___%	___%	___	2049 (c)	440,000	___%	___%	___
2036 (c)	220,000	___%	___%	___	2050 (c)	465,000	___%	___%	___
2037 (c)	230,000	___%	___%	___	2051 (c)	490,000	___%	___%	___
2038 (c)	245,000	___%	___%	___	2052 (c)	515,000	___%	___%	___
2039 (c)	260,000	___%	___%	___	2053 (c)	545,000	___%	___%	___
2040 (c)	270,000	___%	___%	___	2054 (c)	575,000	___%	___%	___
2041 (c)	285,000	___%	___%	___	2055 (c)	605,000	___%	___%	___

_____

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

(b) CUSIP numbers will be assigned to this issue by the 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, the Financial Advisor (herein defined) or the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(c) Bonds maturing on September 1, 2033, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or in part on December 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in SEC Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Dallas, Texas ("Bond Counsel") for further information.

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

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

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

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

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APPENDIX A – Audited Financial Statements of the District

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

Subject to certain restrictions in the Official Notice of Sale relating to the Bonds (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.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public or held at initial offering prices. For this purpose, the term "public" shall not include any person who is a bondhouse, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

MUNICIPAL BOND INSURANCE

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

RATINGS

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

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OFFICIAL STATEMENT SUMMARY

The following 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 summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District..... Hunter Ranch Improvement District No. 2 of Denton County, Texas (the "District"), a political subdivision of the State of Texas, is located in Denton County, Texas, and is entirely within the corporate limits of the City of Denton, Texas ("The City"). See "THE DISTRICT – General" and " – Description."

The Bonds..... The District's $9,045,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are dated December 1, 2026, and mature on September 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the date of initial delivery (expected to be on or about December 15, 2026) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."

Redemption of the Bonds..... Bonds maturing on or after September 1, 2033, are subject to redemption, in whole or in part, at the option of the District on December 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds."

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

Source of Payment..... Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem property tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the City; the Master District (hereinafter defined); or any entity other than the District. See "THE BONDS – Source of Payment."

Payment Record..... The Bonds are the first series of bonds issued by the District.

Authority for Issuance..... The Bonds are issued pursuant to (i) a resolution adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Resolution"); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 375 of the Texas Local Government Code, as amended and Chapter 49 of the Texas Water Code, as amended; (iii) Chapter 3980, Texas Special District Local Laws Code (the "District Act") as applicable to the District pursuant to Section 3980.0702 therein; and (iv) an election held within the District on November 4, 2025.

Voted Authorization..... At an election held on November 4, 2025, voters of the District authorized the District's issuance of $999,230,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage and storm sewer systems to serve the District (the "Utility System") and for refunding bonds issued by the District for the Utility

System, and $945,595,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System") and for refunding bonds issued by the District for the Road System, together with the levy of ad valorem taxes, without limit as to rate or amount, sufficient to pay the principal of and interest on such bonds. At the same election, voters of the District also approved the provisions of a contract between the District and the Master District (hereinafter defined) (the "Master District Contract"), including the levy of a tax (the "Master District Contract Tax") to make payments thereunder (i) for the District's share of the debt service requirements of the Master District's bonds issued for water, sewer, and drainage facilities (the "Master District Utility Bonds"); and (ii) for the District's share of the debt service requirements of the Master District's bonds issued for road facilities (the "Master District Road Bonds" and, together with the Master District Utility Bonds, the "Master District Bonds"), all as defined and provided in the Master District Contract. See "THE BONDS—Authority for Issuance" and "THE MASTER DISTRICT."

The Bonds constitute the first series of unlimited tax bonds issued by the District. Following the issuance of the Bonds, $999,230,000 principal amount of unlimited tax bonds for the Utility System and for refunding Utility System bonds, and $936,550,000 principal amount of unlimited tax bonds for the Road System and for refunding Road System bonds, will remain authorized but unissued.

Use and Distribution of Bond Proceeds..... Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the road improvements and related engineering and land costs as shown herein under "THE BONDS – Estimated Use and Distribution of Bond Proceeds." Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest, developer interest, and certain costs associated with the issuance of the Bonds.

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

Municipal Bond Insurance and Rating ..... The District has made applications for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, will be at the option and expense of the Initial Purchaser. The District has not made an application for an underlying rating on the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

General & Bond Counsel..... Allen Boone Humphries Robinson LLP, Dallas, Texas.

Disclosure Counsel..... McCall, Parkhurst & Horton, L.L.P., Dallas, Texas.

Financial Advisor ..... Cedar Creek Municipal Advisors, LLC, Irving, Texas.

District Engineer ..... Kimley-Horn and Associates, Inc., Frisco, Texas.

Paying Agent/Registrar..... BOKF, NA, Dallas, Texas.

THE DISTRICT

Description..... The District was created on July 22, 2025, by order of the Board of Directors of Hunter Ranch Improvement District No. 1 of Denton County, Texas dividing such district into four separate districts pursuant to the District Act (the "Division Order"), and is located within Denton County, Texas. The District encompasses approximately 562.87 acres. See "THE DISTRICT – General."

Location..... The District is located entirely within the corporate limits of the City, north of Robson Ranch Road and west of Interstate Highway 35W, approximately 7 miles southwest of the central business district of the City. The District is bounded on the south by Robson Ranch Road, on the west by the Robson Ranch development, and on the north and east by the remaining land within

the Service Area (hereinafter defined). The District is located within Denton Independent School District. See "THE DISTRICT – Description and Location" and "LOCATION MAP."

The Master District..... Hunter Ranch Improvement District No. 1 of Denton County, Texas ("HRID No. 1," also referred to herein as the "Master District") provides regional water, sanitary sewer, storm sewer, road, and park facilities to serve its participating districts. The District, together with Hunter Ranch Improvement District No. 3 of Denton County, Texas ("HRID No. 3") and HRID No. 1 in its capacity as a participant district, are participant districts of the Master District (collectively, the "Participant Districts"). Hunter Ranch Improvement District No. 4 of Denton County, Texas ("HRID No. 4") is within the Service Area (hereinafter defined) of the Master District but has not been activated as a Participant District as of the date of this Preliminary Official Statement. The District is located within the Master District's service area (the "Service Area"), which comprises approximately 3,200 acres. Under the Master District Contract (hereinafter defined), the District is obligated to pay its pro rata share (based on taxable value) of the debt service requirements on the Master District Bonds and monthly charges for maintenance and operations of the Master District's facilities, and at an election held on November 4, 2025, voters of the District authorized the levy of the Master District Contract Tax to make such payments. HR 3200, LP (hereinafter defined) is the developer of the Master District. See "THE MASTER DISTRICT" and "RISK FACTORS – Master District Contract Tax Payments and Master District Contract Tax."

Landmark..... The District is part of Landmark, a master-planned community currently planned to encompass approximately 3,200 acres at full development. Landmark includes four improvement districts currently created: the District, HRID No. 1 or the Master District, HRID No. 3 and HRID No 4. Development in Landmark is currently taking place in the District and HRID No. 3. Approximately 20.3 acres within HRID No. 3 have been developed for the purpose of building commercial development. Such acreage is expected to include an H-E-B grocery store, which is currently under construction and expected to be completed in early 2027, as well as additional retail stores.

Developer..... HR 3200, LP, a Texas limited partnership ("HR 3200") was formed for the purpose of acquiring and holding for investment and selling tracts of land, including approximately 1,985.42 acres of land in the Service Area, including within the District by and through its affiliates including Landmark Phase 1 LLC, Landmark Phase 2, LLC, and Landmark Land and Cattle, LLC (collectively with HR 3200, the "Developer"). The partners of HR 3200 include: HR JV, LP and HWP HR, LP. HR 3200 GP, LP is the general partner of HR 3200. The Developer determines the overall development plan for the land in the District and arranges for financing the construction of water, sewer, drainage and road facilities within the District either directly or through affiliate entities.

The Developer is controlled and managed by Hillwood Residential Services L.P., a Perot Company, a Dallas company owned by H. Ross Perot, Jr., having over 30 years of experience developing land in Texas. Hillwood Residential Services L.P. is an affiliate of Hillwood Development Company, LLC, which is a national real estate development company with development experience that encompasses several product types, including 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.

Development within the District..... The District is being developed as the single-family residential subdivision known as "Landmark." To date, approximately 236.88 acres (747 lots) within the District have been developed as Landmark, Phase 1. As of September 1, 2026, the District consisted of 52 completed homes (approximately 18 occupied homes, 25 unoccupied homes, and 9 model homes), 81 homes under construction, and 614 vacant developed lots. The remaining land within the District consists of approximately 317.99

	undeveloped but developable acres and approximately 8.00 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT – Current Status of Development."
Homebuilders in the District.....	Homebuilders active in the District are American Legend Homes, Drees Custom Homes, Toll Brothers Homes, Perry Homes, Highland Homes, M/I Homes, Tri Pointe Homes and Coventry Homes. New homes are being marketed from $371,990 to $989,990 and range in size from 1,500 square feet to over 4,566 square feet. See "DEVELOPMENT WITHIN THE DISTRICT – Homebuilders."

RISK FACTORS

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT FOR A DISCUSSION OF RISK FACTORS BEFORE MAKING THEIR INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "RISK FACTORS."

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Certified Taxable Assessed Valuation	$	52,953,714	(a)
Estimate of Value as of September 1, 2026	$	102,693,109	(b)
Direct Debt:			
The Bonds	$	9,045,000	
Total	$	9,045,000	
Estimated Overlapping Debt	$	7,411,987	(c)
Total Direct and Estimated Overlapping Debt	$	16,456,987	(c)
Direct Debt Ratios:			
As a percentage of 2026 Certified Taxable Assessed Valuation		17.08 %	
As a percentage of Estimate of Value as of September 1, 2026		8.81 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2026 Certified Taxable Assessed Valuation		31.08 %	
As a percentage of Estimate of Value as of September 1, 2026		16.03 %	
General Operating Fund (as of October 27, 2026)	$	1,089	(d)
Road Debt Service Fund (as of Date of Delivery)	$	746,213	(e)
2026 Tax Rate			
Road Debt Service		$0.000	(f)
Maintenance & Operations		$0.770	
Total		$0.770	
Estimated Average Annual Debt Service Requirements (2027-2055)	$	631,103	(g)
Estimated Maximum Annual Debt Service Requirement (2032)	$	643,100	(g)
Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2055) at 95% Tax Collections			
Based Upon 2026 Certified Taxable Assessed Valuation ($52,953,714)		$1.26	
Based Upon the Estimate of Value as of September 1, 2026 ($102,693,109)		$0.65	
Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2032) at 95% Tax Collections			
Based Upon 2026 Certified Taxable Assessed Valuation ($52,953,714)		$1.28	
Based Upon the Estimate of Value as of September 1, 2026 ($102,693,109)		$0.66	

(a) Represents the taxable assessed valuation as of January 1, 2026, of all taxable property in the District, as provided by the Appraisal District (hereinafter defined). See "TAX PROCEDURES" and "TAX DATA."

(b) The Appraisal District provided an Estimate of Value as of September 1, 2026, of $102,693,109, which reflects the addition of value of new construction within the District from January 1, 2026, to September 1, 2026. Such estimate was provided for informational purposes only and is based upon the same unit of value used in the assessed value. No taxes will be levied on this estimate. See "TAX PROCEDURES."

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

(d) See "RISK FACTORS – Operating Funds.".

(e) Eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund (hereinafter defined) as of the date of delivery of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Funds in the Road Debt Service Fund are pledged only to pay the debt service on the outstanding bonds issued for the Road System, and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined).

(f) The District intends to levy a road debt service tax rate for the 2027 tax year.

(g) Debt service on the Bonds is estimated at an interest rate of 5.50%. See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

PRELIMINARY OFFICIAL STATEMENT

relating to

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY, TEXAS
(A Political Subdivision of the State of Texas, located within Denton County, Texas)

$9,045,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Hunter Ranch Improvement District No. 2 of Denton County, Texas (the "District") of its $9,045,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to (i) a resolution adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Resolution"); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 375 of the Texas Local Laws Code, as amended and Chapter 49 of the Texas Water Code, as amended; (iii) Chapter 3980, Texas Special District Local Laws Code (the "District Act"); and (iv) an election held within the District on November 4, 2025.

Unless otherwise indicated, capitalized terms used in this Preliminary Official Statement have the same meaning assigned to such terms in the Bond Resolution. This Official Statement also includes information about the District, certain reports, description of the Bonds, the Bond Resolution, information about the District's finances, 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. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, at 4514 Cole Ave, Suite 1450, Dallas, Texas 75205.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Denton County, Texas, the City of Denton, Texas (the "City"), or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the bondholders of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for their property. See " – Bondholders' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential, commercial, retail, and multi-family industries. New residential, commercial, retail, and multi-family construction can be significantly affected by factors such as interest rates, construction costs, energy costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located entirely within the corporate limits of the City, north of Robson Ranch Road and west of Interstate Highway 35W, approximately 7 miles southwest of the central business district of the City, approximately 35 miles northwest of the central business district of the City of Dallas, Texas, and approximately 29 miles north of the central business district of the City of Fort Worth, Texas. As a result, particularly during times of increased competition, the Developer may be at a competitive disadvantage to the developers of other projects located closer to major urban centers or in a more developed state.

Competitive Nature of Residential Market: The residential housing industry in and around the City is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of development funding have a direct impact on construction activity, particularly short-term interest rates at which landowners are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. The success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas-Fort Worth metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of the Dallas-Fort Worth area or decline in the nation's real estate and financial markets could adversely affect development in the District and restrain the growth of or reduce the value of the District's property tax base.

Dependence on Principal Taxpayers: There is a high concentration of ownership of taxable value in the District and the District is in early stages of development. 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. The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2026 owned property located in the District with an aggregate assessed valuation of $52,179,204, which comprised approximately 98.54% of the District's total assessed valuation. The Developer owned approximately 20.21% of the District's total taxable assessed valuation as of January 1, 2026. The homebuilders within the District owned approximately 70.63% of the District total taxable assessed valuation as of January 1, 2026.

If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the debt service fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District 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 the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service fund. Therefore, failure by the Developer or one or more principal taxpayers to pay their taxes could have a material adverse effect on the District's ability to pay debt service on the Bonds.

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

Maximum Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is $52,953,714 and the Estimate of Value as of September 1, 2026 is $102,693,109. After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds will be $643,100 (2032) and the estimated average annual debt service requirement on the Bonds will be $631,103 (2027-2055, inclusive). Assuming no increase to, nor decrease from, the 2026 Certified Taxable Assessed Valuation, tax rates of $1.28 and $1.26 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no increase to, nor decrease from, the Estimate of Value as of September 1, 2026, tax rates of $0.66 and $0.65 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

For the 2026 tax year, the District levied a total tax rate of $0.77 per $100 of assessed valuation comprised entirely for maintenance and operations purposes.

Vacant Developed Lots: As of September 1, 2026, approximately 614 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the

construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Operating Funds

The District's current primary source of operating revenue is maintenance tax revenue and advances from the Developer. The District levied a 2026 maintenance tax of $0.77 per $100 of assessed valuation. The District's general fund balance as of October 27, 2026, was $1,089. The revenue produced from a reduced maintenance tax rate in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development, and (3) receipt of maintenance tax revenue. If funds from these sources are not forthcoming, the District may have to increase its maintenance tax rate. Such an increase may result in a total District tax rate, or combined overlapping tax rate, in excess of similar developments and could adversely affect the continued development of the District, as well as the willingness of taxpayers to pay taxes on their property.

Increase in Costs of Building Materials and Labor Shortages

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 adversely affect the ability of the Developer or homebuilders in the District to estimate costs. Additionally, changing immigration policies may affect the workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

Master District Contract Payments and Master District Contract Tax

The Master District is expected to issue Contract Revenue bonds for the purpose of constructing or acquiring regional water, sanitary sewer, storm sewer, and road facilities. Under the Master District Contract, the District is obligated to pay the Master District its Pro Rata Share (hereinafter defined) of the debt service requirements on the Master District Bonds (hereinafter defined) and Monthly Charges (hereinafter defined) for services from the Master District Facilities (hereinafter defined). Voters of the District have approved the levy of the Master District Contract Tax (hereinafter defined), without limitation as to rate or amount, to make debt service payments on Master District Bonds (hereinafter defined). The Master District may issue Master District Bonds (hereinafter defined) without the consent of the District and the District intends to levy a Master District Contract Tax after such time that the Master District issues Master District Bonds.

The Master District Contract Tax is separate from, and in addition to, the debt service tax the District levies to pay the Bonds, the City Offsite Contract Tax, (hereinafter defined) and the District's maintenance tax, and is levied on the same taxable property. The Master District Contract Tax is not pledged to the payment of the Bonds, and the ad valorem tax levied for the payment of the Bonds is not available to make payments under the Master District Contract. Because the District's Pro Rata Share of the debt service of the Master District Bonds is based on the District's share of the Certified Appraised Value of all Participants (hereinafter defined), the District's share of Master District debt service will increase to the extent taxable values within the District grow faster than taxable values within the other Participants, and the amount of Master District Bonds that may ultimately be issued substantially exceeds the Bonds. The District's obligations under the Master District Contract are unconditional. The Master District Contract Tax, together with the District's other taxes and the taxes of overlapping taxing jurisdictions, could result in a total tax burden that adversely affects the marketability of property within the District, the rate of development, and the ability or willingness of property owners to pay taxes. The Operating Agreement's Benchmark Tax Rate test includes the tax rate equivalent of the District's payments to the Master District but is calculated solely to demonstrate feasibility at the time of a bond issue and does not limit the rate of the Master District Contract Tax. See "THE MASTER DISTRICT," "AGREEMENTS WITH THE CITY OF DENTON – Conditions to the Issuance of Bonds," and "TAX DATA."

City Offsite Contract Tax

Pursuant to the Operating Agreement, once the District levies an ad valorem tax, the District is required to levy the City Offsite Contract Tax (hereinafter defined) or contribute a portion of its maintenance and operations tax at a rate not to exceed $0.06 per $100 of assessed valuation until the District Cost (hereinafter defined) of the City Offsites (hereinafter defined) has been paid. The City Offsite Contract Tax is not available to pay debt service of the Bonds and is included in the calculation of the Operating Agreement's Benchmark Tax Rate. See "AGREEMENTS WITH THE CITY OF DENTON – City Offsite Contract Tax."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer,

or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six (6) months of foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the registered holders of the Bonds (the "Bondholders") have a right to seek a writ of mandamus requiring the District observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Bondholders. 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 Bondholders.

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

Bankruptcy Limitation to Bondholders' Rights

The enforceability of the rights and remedies of Bondholders 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 water control and improvement districts, such as the District, to obtain the approval of the Texas Commission on Environmental Quality (the "TCEQ") as a condition to seeking relief under the Federal Bankruptcy Code.

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

If the petitioning District were allowed to proceed voluntarily under Chapter 9, it could file a plan for an adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect Bondholders by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate or the principal amount, 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 Bondholders' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: $999,230,000 principal amount of unlimited tax bonds for the Utility System and for refunding Utility System bonds, and $936,550,000 principal amount of unlimited tax bonds for the Road System and for refunding Road System bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board and the voters of the District, subject to the conditions of the Operating Agreement and the Consent Resolution and the limitation described below.

The District Act provides that the principal amount of bonds secured by ad valorem taxes issued by the District in the aggregate may not exceed ten percent (10%) of the assessed value of all real property in the District. Such limitation may restrict the timing and amount of future bond issuances by the District. See "THE BONDS – Legal Ability to Issue Additional Debt."

In addition to the District's bonds, the Master District may issue Master District Bonds, the debt service on which is payable in part from contract payments made by the District under the Master District Contract. Voters of the District have approved the levy of the Master District Contract Tax for the District's share of debt service on up to $4,942,295,000 aggregate principal amount of Master District Water, Sewer, and Drainage Bonds and up to $4,910,915,000 aggregate principal amount of Master District Road Bonds. The issuance of Master District Bonds will increase the District's obligations under the Master District Contract and may require the District to levy a Master District Contract Tax in addition to its debt service tax on the Bonds. Issuance of additional bonds by the District or the Master District could dilute investment security for the Bonds. See "— Master District Contract Payments and Master District Contract Tax" and "THE MASTER DISTRICT."

Following reimbursement from the proceeds of the Bonds, the District will owe the Developer approximately $6,000,000 in reimbursables for Road System improvements and approximately $21,100,000 in reimbursables for Utility System improvements, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's engineer, following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing Road System facilities and Utility System facilities. See "DEVELOPMENT WITHIN THE DISTRICT," "THE ROAD SYSTEM," and "THE BONDS – Legal Ability to Issue Additional Debt."

Continuing Compliance with Certain Covenants

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

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. TCEQ approval of the Bonds is not required, and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project, nor the feasibility of the District will be reviewed, considered, or approved by the TCEQ with respect to the Bonds. The District is required to submit the bond documents for the Bonds to the City for review pursuant to the Operating Agreement and the Consent Resolution. See "AGREEMENTS WITH THE CITY OF DENTON – Conditions to the Issuance of Bonds." The City's review does not constitute a guarantee or representation by the City regarding the safety of the Bonds as an investment or the adequacy or accuracy of the information contained herein.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the 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"), with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area ("2015 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a "serious" nonattainment are under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the "2015 Ozone Standard"), with an attainment deadline of August 3, 2027.

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.

Cybersecurity

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

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 ice storms , tornadoes, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAX PROCEDURES – Tax Exemption for Property Damaged by Disaster."

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in Congress and in the State of Texas that, if enacted, could alter or amend the federal or 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, or any benefit, of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted

whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

Changes in Tax Legislation

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

The 90th Texas Legislature

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The purchase of such insurance, if available, will be at the option and expense of the Initial Purchaser. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (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 insurer of the Policy (the "Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the 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 Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District or the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Replacement of Bonds

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

THE BONDS

General

The Bonds are dated December 1, 2026, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about December 15, 2026) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable to the Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder. 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, New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and its "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 (hereinafter defined), (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 (hereinafter defined), 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 ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 District or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

The information concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Redemption of the Bonds

The Bonds maturing on and after September 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or in part, on December 1, 2032, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice

nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax, other governmental charges, or other expenses required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. See " – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority to act as and perform the services of Paying Agent/Registrar for the Bonds under the Bond Resolution.

Authority for Issuance

At an election held on November 4, 2025, voters of the District authorized the District's issuance of $999,230,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage and storm sewer systems to serve the District (the "Utility System") and for refunding bonds issued by the District for the Utility System, and $945,595,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System") and for refunding bonds issued by the District for the Road System, together with the levy of ad valorem taxes, without limit as to rate or amount, sufficient to pay the principal of and interest on such bonds.

The Bonds are issued pursuant to (i) the Bond Resolution; (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended; (iii) the District Act; and (iv) an election held within the District on November 4, 2025.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters and approve the Bonds prior to their delivery.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a

sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. Tax proceeds, after deduction for collection costs, will be placed in the Road Debt Service Fund (hereinafter defined) and used solely to pay principal of and interest on the Bonds or any future bonds issued for the Road System. The Bonds are obligations of the District and are not the obligations of the State of Texas; Denton County, Texas; the City; or any other political subdivision or any entity other than the District.

Funds

The Bond Resolution creates the District's fund for debt service on the Bonds and any additional unlimited tax bonds issued by the District for the Road System (the "Road Debt Service Fund"). Eighteen (18) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road Debt Service Fund. The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District 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 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 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.

Payment Record

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

No Arbitrage

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

Defeasance

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

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Annexation, Dissolution and Consolidation

In certain circumstances, under Texas law and the Consent Resolution and the District Act, the District may alter its boundaries to annex additional territory or exclude land within the District. Pursuant to the Consent Resolution, the City Council must approve of any annexation of additional land into the District. On August 18, 2026, the City adopted Resolution 26-1288, consenting to any future exclusion and annexation of land within the District, HRID No. 1, HRID No. 2, or HRID No. 3, provided that such land is excluded from one district and annexed into another, and that the City has previously consented to such land being within one of the districts. The City also consented to the addition of two other tracts of land into the District, HRID No. 1, HRID No. 2, or HRID No. 3. No representation is made concerning the likelihood that the District would effect any future changes in its boundaries.

The District lies entirely within the corporate limits of the City. Pursuant to the Operating Agreement, the City may dissolve the District pursuant to Section 375.263, Texas Local Government Code, at any time after 30 days following the completion of the District's issuance of bonds to finance the improvement projects authorized by the Operating Agreement, upon nine months' advance written notice to the District and the Developer. Upon dissolution, the City would assume the District's assets and obligations, including the Bonds, as provided by law. Dissolution of the District by the City is a policy-making matter within the discretion of the City Council, and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur. The District may not annex or exclude land without the consent of the City Council. See "AGREEMENTS WITH THE CITY OF DENTON."

The District has the legal authority to consolidate with other special districts and, in connection therewith, to provide for the consolidation of its assets (such as cash), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Issuance of Additional Debt

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: $999,230,000 principal amount of unlimited tax bonds for the Utility System and for refunding Utility System bonds, and $936,550,000 principal amount of unlimited tax bonds for the Road System and for refunding Road System bonds. The Bond Resolution does not limit the amount of any additional bonds as may hereafter be approved by both the Board and the voters of the District. However, the District Act and the Consent Resolution limit the aggregate principal amount of bonds secured by ad valorem taxes to ten percent (10%) of the assessed value of all real property in the District, and the Operating Agreement imposes additional conditions on each issuance of bonds by the District, including the Benchmark Tax Rate test, tiered limits on aggregate issuance based on certified taxable value, and City review. See "AGREEMENTS WITH THE CITY OF DENTON—Conditions to the Issuance of Bonds."

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The District is also obligated under the Master District Contract to make payments to the Master District for its share of the debt service requirements on any Master District Bonds, which payments may be made from the proceeds of the Master District Contract Tax. See "THE MASTER DISTRICT." Issuance of additional bonds by the District or the Master District could dilute investment security for the Bonds.

Following reimbursement from proceeds of the Bonds, the District will owe the Developer approximately $6,000,000 in reimbursables for Road System improvements and approximately $21,100,000 in reimbursables for Utility System improvements, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer, following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing Road System facilities. See "DEVELOPMENT WITHIN THE DISTRICT," "THE ROAD SYSTEM," and "RISK FACTORS – Future Debt."

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bonds Resolution, the Bondholders have a right to seek a writ of mandamus requiring the District observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Bondholders. 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 Bondholders.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's governmental immunity from suits for money damages, so that in the absence of other waivers of such

immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Bondholders may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS – Bondholders' Remedies" and " – Bankruptcy Limitation to Bondholders' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Public Securities Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such law that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Estimated Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the funds advanced to construct, install, or acquire improvements to the District's Road System (including, without limitation, related engineering and land costs) as shown in the table below. Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest, developer interest, and certain costs associated with the issuance of the Bonds.

Construction Costs	**District's Share**
A. Hunter Ranch Phase 1 – Mass Grading	$ 822,683
B. Hunter Ranch Phase 1A/1B – Paving	2,392,858
C. Hunter Ranch Phase 1A/1B – Utilities	330,843
D. Hunter Ranch Phase 1C/1D – Paving	2,852,431
E. Hunter Ranch Phase 1C/1D – Utilities	37,587
F. Hunter Ranch Phase 1A – Local Roads	95,151
G. Hunter Ranch Phase 1B – Local Roads	142,303
H. Hunter Ranch Phase 1C – Local Roads	171,651
I. Hunter Ranch Phase 1D – Local Roads	130,970
J. Land Interest	146,079
Total Construction Costs	**$ 7,122,556**
Non-Construction Costs	
A. Legal Fees	$ 220,900
B. Fiscal Agent Fees	160,675
C. Interest Costs	
1. Capitalized Interest (18 months @ 5.50%)	746,213
2. Developer Interest	437,691
D. Bond Discount (3.00%)	271,350
E. Bond Engineering Report Fee	33,804
F. Bond Issuance Expenses	42,766
F. Attorney General Fee	9,045
Total Non-Construction Costs	**$ 1,922,444**
Total Bond Issue Requirement	**$ 9,045,000**

The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof.

THE DISTRICT

General

The District was created on July 22, 2025, by order of the Board of Directors of Hunter Ranch Improvement District No. 1 of Denton County, Texas ("HRID No. 1") dividing such district into four separate districts pursuant to the District Act (the "Division Order"): HRID No. 1, the District, Hunter Ranch Improvement District No. 3 of Denton County, Texas ("HRID No. 3"), and Hunter Ranch Improvement District No. 4 of Denton County, Texas ("HRID No. 4"). The District is a conservation and reclamation district operating as a municipal management district pursuant to Article III, Sections 52 and 52-a and Article XVI, Section 59 of the Texas Constitution, the District Act, Chapter 375, Texas Local Government Code, as amended, Chapter 49, Texas Water Code, as amended, and Chapter 3980 of the Texas Special District Local Laws Code, as applicable to the District pursuant to section 3980.0702 therein. The City consented to the creation of Hunter Ranch ID No. 1 by Resolution No. 20-765, adopted April 7, 2020, as amended by Resolution No. 24-989 and Resolution No. 26-1288 (as amended, the "Consent Resolution"), and such consent constitutes consent to the creation of districts by division of Hunter Ranch ID No. 1, subject to the conditions of the Consent Resolution and the District Act. The District entered into a Joinder Agreement dated as of July 31, 2025, and an Amended and Restated Joinder Agreement dated as of February 9, 2026, pursuant to which it became a party to the Operating Agreement with respect to the land within the District. The District was confirmed at an election held within the District on November 4, 2025, at which voters also authorized the issuance of bonds and approved the Master District Contract as described under "THE BONDS – Authority for Issuance."

The District is empowered, among other things, to purchase, construct, acquire, improve, finance, operate and maintain water, sanitary sewer, drainage, road, landscaping, and park and recreational facilities to serve the District. Pursuant to the Operating Agreement, other than drainage and flood control improvements, and certain park and recreational facilities, each completed District improvement project is conveyed to the City for ownership and operation, and the City provides water, sanitary sewer, solid waste, electric, police, and fire and emergency medical services to the area within the District.

The District is subject to the continuing supervision of the TCEQ. Construction and operation of the District's facilities are subject to the regulatory jurisdiction of additional governmental agencies, including the City and Denton County.

Description and Location

The District is located entirely within the corporate limits of the City, north of Robson Ranch Road and west of Interstate Highway 35W, approximately 7 miles southwest of the central business district of the City. The District is bounded on the south by Robson Ranch Road, on the west by Robson Ranch, and on the north and east by the remaining land within the Service Area (hereinafter defined). The District is located within Denton Independent School District. See "LOCATION MAP."

Management of the District

The District is governed by a board of six (6) directors which has control over and management supervision of all affairs of the District. Five (5) directors are elected in even-numbered years for four-year staggered terms and one (1) director, the currently vacant position, which is appointed by the City Council of the City. The present members and officers of the Board listed below:

Name	Position	Term Expires May
Peter Dewing	President	2028
Daniel Holley, II	Vice President	2030
Kameron Duhon	Secretary	2030
Nathanael Fisher	Assistant Secretary	2030
Clint Williamson	Assistant Vice President	2028
Vacant	Director	

While the District does not employ a general manager or any other full-time employees, it has contracted with the following companies and individuals for professional services and for operation of its utilities:

Tax Assessor/Collector: The District contracts with Denton County to perform ad valorem tax assessment and collection on behalf of the District via the Denton County Tax Assessor/Collector.

Tax Advisor: The District consults with Utility Tax Service, LLC to perform tax advisory services for the District.

Bookkeeper: The District's bookkeeper is Tovery Accounting Consultants, LLC.

Auditor: The District engaged McCall Gibson Swedlund Barfoot PLLC (the "Auditor") to audit its financial statements for the fiscal year ended September 30, 2026. The District's audited financial statements are attached as "APPENDIX A" to this Official Statement.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Kimley-Horn and Associates, Inc. (the "Engineer").

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

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as "Disclosure Counsel" in connection with the issuance of the District's Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Cedar Creek Municipal Advisors, LLC, is employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is employed by the District and has participated in the preparation of the Official Statement; however, 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 that has been supplied or provided by third-parties.

Historical Operations of the District

The following is a summary of the District's general operating fund for the 2025-2026 fiscal years. The figures below for the fiscal year ended September 30, 2025 were obtained from the District's audited financial statements for the fiscal year ended September 30, 2025, a copy of which is attached hereto as "APPENDIX A" and reference to which is hereby made. The figures for the fiscal year ended September 30, 2026 are unaudited and were obtained from the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	2026 (a)	2025
REVENUES:		
Property Taxes	$ -	$ -
Investment and Miscellaneous Revenues	64	6
TOTAL REVENUES	$	$ 6
EXPENDITURES:		
Professional Fees	$ 79,454	$ 14,885
Contract Services	11,883	2,661
Master District Charges	-	-
Repairs and Maintenance	-	-
Other	9,018	2,943
TOTAL EXPENDITURES	$ 100,355	$ 20,489
Excess (Deficiency) of Revenues Over Expenditures	$ (100,291)	$ (20,483)
OTHER FINANCING SOURCES:		
Developer Advances	$ 125,692	$ 7,624
Beginning Fund Balance	$ (12,859)	$ -
Ending Fund Balance	$ 12,542	$ (12,859)

(a) Unaudited.

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AGREEMENTS WITH THE CITY OF DENTON

Consent Resolution and Operating Agreement

The City and HRID No. 1 entered into an Operating Agreement dated as of April 7, 2020, as amended by a First Amendment to Operating Agreement dated as of May 7, 2024, and a Second Amendment to Operating Agreement dated as of January 13, 2026 (as amended, the "Operating Agreement"). The City and the Developer (or its predecessor in interest) also entered into a Project Agreement dated as of April 7, 2020, approved by City Ordinance No. 20-764 as amended by that First Amendment to Project Agreement dated May 7, 2024, that Second Amendment to Project Agreement, dated December 16, 2025, and that Third Amendment to Project Agreement dated January 12, 2026 (as amended, the "Project Agreement"). Following its creation by division, the District entered into a Joinder Agreement dated as of July 31, 2025, and an Amended and Restated Joinder Agreement dated as of February 9, 2026 (collectively, the "Joinder Agreement"), pursuant to which the District became a party to the Operating Agreement, but only with respect to the land within the District, and has all of the rights and obligations of HRID No. 1 thereunder with respect to such land. Pursuant to the Joinder Agreement, the District also agreed to be subject to the Consent Resolution. Under the Operating Agreement, HRID No. 1 has been designated as the "Regional District" responsible for coordinating and managing the acquisition, construction, and financing of improvement projects that serve more than one of the districts created by division, and the District, HRID No. 3, and HRID No. 4 are "Participating Districts." See "THE MASTER DISTRICT."

City Services and Ownership of Improvements

The City provides, and bills and collects for, all retail water, sanitary sewer, recycling, and solid waste service to the District, and electric service where Denton Municipal Electric holds service territory rights, at the same rates charged to other users within the City, and the City retains all revenues from such services. The District may not provide water, sewer, electric, recycling, or solid waste service. Upon the City's inspection and acceptance of completed water, wastewater, drainage, and road improvements financed by the District, such improvements are conveyed to the City, and the City owns, operates, and maintains them. After conveyance of streets and roads and park improvements to the City, the District is responsible for maintaining landscaping within road rights-of-way, park improvements and drainage in such areas, and open space, and may impose assessments (which may not be pledged to the payment of bonds) to fund such maintenance.

City Offsite Contract Tax

The Operating Agreement provides that, to fund in part the District's allocable cost (the "District Cost") of certain offsite water, sanitary sewer, and road improvements to be constructed by the City to serve the area within HRID No. 1 as originally created (the "City Offsites"), the District will levy an annual contract tax (the "City Offsite Contract Tax") at a rate not to exceed $0.06 per $100 of assessed valuation (the "City Offsite Contract Tax Rate") and deposit the proceeds annually into a segregated City account, until the District Cost has been fully paid, as certified by the City. The District is never required to levy the City Offsite Contract Tax at a rate greater than $0.06 per $100 of assessed valuation, and the City may not look to other funds of the District to pay the District Cost.

Developer Reimbursement Limitations

The Operating Agreement does not establish a fixed dollar limit on the aggregate amount the District may reimburse the Developer. Instead, the District may reimburse the Developer for the actual costs of the improvement projects authorized by the Operating Agreement and for expenses authorized by Section 49.155, Texas Water Code, subject to the debt limitations, Benchmark Tax Rate test, and other conditions to the issuance of bonds described above. Reimbursement of organizational, administrative, and operating costs incurred during the District's creation and construction periods, as authorized by Section 49.155(a)(12), Texas Water Code, is limited to $4,000,000 in the aggregate. In addition, the District's obligation to reimburse the Developer terminates with respect to costs incurred more than 40 years after April 7, 2020, and the District may not amend its reimbursement agreement with the Developer to expand its obligations, or enter into an additional reimbursement agreement with the Developer, without the prior written consent of the City Council.

The Operating Agreement also provides for a $250,000 reduction in the amount of Supplemental Projects eligible for reimbursement for each six-month period after May 31, 2027, during which certain gas wells within the area of HRID No. 1 as originally created have not been plugged and abandoned pursuant to the Project Agreement. Such reductions affect only amounts eligible for reimbursement to the Developer and do not affect the District's obligation to pay the Bonds.

Boundaries, Dissolution, and Other Provisions

The District may not annex or exclude land, or establish a "defined area," without the consent of the City Council. The District may not include any part of its area in a tax increment reinvestment zone or tax abatement reinvestment zone without City consent. A contract of the District payable from ad valorem taxes for a period longer than three years must be approved by the City unless, among other exceptions, it has been approved by the District's voters. Pursuant to City Ordinance No. 26-1288, the City has consented the annexation or exclusion of any land within the Service Area.

The City may dissolve the District pursuant to Section 375.263, Texas Local Government Code, at any time after 30 days following the completion of the District's issuance of bonds to finance the improvement projects authorized by the Operating Agreement, upon nine months' advance written notice to the District and the Developer. If the City dissolves the District prior

to the completion of the District's improvement projects and reimbursement of the Developer, the City must pay the Developer the unreimbursed costs of such projects and assume the District's contractual obligations. The District may not be dissolved by action of its Board without the consent of the City Council. See "THE BONDS – Annexation, Dissolution and Consolidation."

DEVELOPER

The Role of a Developer

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

Developer

HR 3200, LP, a Texas limited partnership ("HR 3200") was formed for the sole purpose of acquiring and holding for investment and selling tracts of land, including approximately 1,985.42 acres of land in the Service Area, including within the District by and through its affiliates including Landmark Phase 1 LLC, Landmark Phase 2, LLC, and Landmark Land and Cattle, LLC (collectively with HR 3200, the "Developer"). The partners of HR 3200 include: HR JV, LP and HWP HR, LP. HR 3200 GP, LP is the general partner of HR 3200. The Developer determines the overall development plan for the land in the District and arranges for financing the construction of water, sewer, drainage and road facilities within the District either directly or through affiliate entities.

The Developer is a single-purpose entity formed for the purpose of developing land it owns in the District. The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur. The Developer is a limited partnership whose assets consist primarily of the land within the District and/or receivables due from the District for development costs, as applicable. The Developer has minimal net revenues. Neither the Developer nor any affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds.

The Developer is controlled and managed by Hillwood Residential Services L.P., a Perot Company, a Dallas company owned by H. Ross Perot, Jr., having over 30 years of experience developing land in Texas. Hillwood Residential Services L.P. is an affiliate of Hillwood Development Company, LLC, which is a national real estate development company with development experience that encompasses several product types, including 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.

To date, the Developer developed approximately 236.88 acres (747 lots) within the District as Landmark, Phase 1. As of September 1, 2026, the Developer continued to own 162 vacant developed lots within the District and approximately 317.99 acres within the District for future development.

Lot Sales Contracts

The Developer has entered into lot sales contracts with each of American Legend Homes, Drees Custom Homes, Toll Brothers Homes, Perry Homes, Highland Homes, Weekley Homes, M/I Homes, Tri Pointe Homes, and Coventry Homes. The contracts for the sale of the lots between the Developer and the builders require that earnest money be deposited with a title company and subsequently released to the Developer once certain conditions are met. The builders' earnest money represents %–% of the total price of completed lots. The sales contracts establish certain required lot purchases [quarterly], with the earnest money deposit being returned to the builders pro rata with the purchase of each lot under each of the builders' contracts. The Developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining outstanding earnest money. According to the Developer, each of the builders is in compliance with

its lot sales contract. As of September 1, 2026, the approximate total number of lots contracted and purchased by each respective builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
M/I Homes	92	36
Conventry Homes	92	92
Tri Pointe Homes	68	47
David Weekley Homes	67	38
American Legend Homes	87	87
Highland Homes	88	65
Toll Brothers Homes	73	73
Perry Homes	73	73
Drees Custom Homes	74	74
Totals	714	585

LANDMARK

The District is part of Landmark, a master-planned community currently planned to encompass approximately 3,200 acres at full development. Landmark includes four improvement districts currently created: the District, HRID No. 1 or the Master District, HRID No. 3 and HRID No 4. Development in Landmark is currently taking place in the District and HRID No. 3. Approximately 20.3 acres within HRID No. 3 have been developed for the purpose of building commercial development. Such acreage is expected to include an H-E-B grocery store, which is currently under construction and expected to be completed in early 2027, as well as additional retail stores.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

The District is being developed as the single-family residential subdivision known as "Landmark." To date, approximately 236.88 acres (747 lots) within the District have been developed as Landmark, Phase 1. As of September 1, 2026, the District consisted of 52 completed homes (approximately 18 occupied homes, 25 unoccupied homes, and 9 model homes), 81 homes under construction, and 614 vacant developed lots. The remaining land within the District consists of approximately 317.99 undeveloped but developable acres and approximately 8.00 undevelopable acres.

The table below summarizes the status of development within the District as of September 1, 2026:

Section	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Landmark, Phase 1	236.88	747	52	81	614
Residential Under Development (a)	0.00				
Undevelopable	8.00				
Remaining Developable (b)	317.99				
District Total	562.87				

(a) According to the Developer, approximately 317.99 acres (682 single-family lots) will begin development as Landmark, Phase 2 in the beginning of 2027.

(b) Remaining developable land consists of approximately 155.94 acres owned by Landmark, Phase 2, LLC, for future development and approximately 147.94 acres owned by HR 3200, LP, for future development.

Homebuilders

Homebuilders active in the District are American Legend Homes, Drees Custom Homes, Toll Brothers Homes, Perry Homes, Highland Homes, M/I Homes, Tri Pointe Homes and Coventry Homes. New homes are being marketed from $371,990 to $989,990 and range in size from 1,500 square feet to over 4,566 square feet.

LOCATION MAP



PHOTOGRAPHS OF THE DISTRICT

(September 2026)

















TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds 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 Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, at an election held on November 4, 2025, voters within the District authorized the District to assess, levy, and collect an annual ad valorem tax for operation and maintenance purposes in an amount not to exceed $1.20 per $100 of assessed valuation, as well as a an annual ad valorem tax for road operation and maintenance purposes in an amount not to exceed $0.25 per $100 of assessed valuation For the 2026 tax year, the Board levied a total tax rate of $0.77 per $100 of assessed valuation comprised of $0.77 for operation and maintenance purposes. Voters of the District have also authorized the levy of the Master District Contract Tax to make payments for the District's Pro Rata Share of the Master District debt obligations under the Master District Contract. See "THE MASTER DISTRICT." Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest on the Bonds will be deposited into the District's Road Debt Service Fund.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Master District Contract Tax:	Unlimited (no legal limit as to rate or amount).
Maintenance & Operations:	$1.20 per $100 of Assessed Valuation.
Road Maintenance:	$0.25 per $100 of Assessed Valuation.

Historical Values and Tax Collection History

The following table illustrates the collection history of the District for the tax year 2026.

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 09/30	Collections 9/30/2026
2026	$ 52,953,714	$ 0.770	$ 407,744	(a)	2027	(a)

(a) The District levied its first tax rate for the 2026 tax year. Such taxes are due October 1, 2026 and will become delinquent after January 31, 2027.

Tax Rate Distribution

	2026 (a)
Utility Debt Service	$0.000
Road Debt Service	0.000
Master District Contract Tax	0.000
Maintenance & Operations	0.000
Road Maintenance	0.770
Total	$0.770

(a) Initial year of tax levy. The District expects to levy its initial debt service tax in 2027.

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax year 2026, by type of property:

Type of Property	2026 Assessed Taxable Valuation
Land	$ 53,200,763
Improvements	-
Personal Property	-
Exemptions	(247,049)
Total	$ 52,953,714

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2026:

Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of 2026 Value
Landmark Phase 1 LLC (a)	Land & Improvements	$ 10,699,683	20.21%
American Legend Homes LLC (b)	Land & Improvements	9,366,133	17.69%
Drees Custom Homes LP (b)	Land & Improvements	6,185,270	11.68%
Toll Southwest LLC (b)	Land & Improvements	5,904,833	11.15%
Perry Homes LLC (b)	Land & Improvements	5,902,848	11.15%
McGuyer Land Holdings LLC	Land & Improvements	4,078,000	7.70%
Highland Homes-Dallas LLC (b)	Land & Improvements	3,920,340	7.40%
Weekley Homes LLC (b)	Land & Improvements	2,942,260	5.56%
M/I Homes of DFW LLC (b)	Land & Improvements	1,650,882	3.12%
Tri Pointe Homes DFW LLC (b)	Land & Improvements	1,528,955	2.89%
Total		$ 52,179,204	98.54%

(a) See "DEVELOPERS AND PRINCIPAL LANDOWNER."
(b) See "DEVELOPMENT WITHIN THE DISTRICT – Homebuilders."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of 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 2026 Certified Taxable Assessed Valuation or the Estimate of Value as of September 1, 2026. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Estimated Average Annual Debt Service Requirements on the Bonds (2027-2055)	$ 631,103
Tax Rate of $1.26 on the 2026 Certified Taxable Assessed Valuation ($52,953,714) produces	$ 633,856
Tax Rate of $0.65 on the Estimate of Value as of September 1, 2026 ($102,693,109) produces	$ 634,130
Estimated Maximum Debt Service Requirement on the Bonds (2032)	$ 643,100
Tax Rate of $1.28 on the 2026 Certified Taxable Assessed Valuation ($52,953,714) produces	$ 643,197
Tax Rate of $0.66 on the Estimate of Value as of September 1, 2026 ($102,693,109) produces	$ 643,886

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2026 taxes levied by such jurisdictions per $100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see "TAX DATA"). 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	$0.770000
Denton County	0.185938
City of Denton	0.548485
Denton ISD	1.152800
Total Tax Rate	$2.657223

THE MASTER DISTRICT

General

HRID No. 1, in its capacity as the Master District (referred to in the Master District Contract and the Operating Agreement as the "Regional District"), is responsible for the acquisition, construction, and financing of regional water delivery, sanitary sewage collection, storm sewer and detention, road, and park facilities (collectively, the "Master District Facilities") to serve an approximately 3,200-acre service area within the City (the "Service Area"). The current participants under the Master District Contract are the District, HRID No. 3, and HRID No. 1 in its capacity as a Participant. HRID No. 4 is within the Service Area but is undeveloped and has not yet approved and executed the Master District Contract (as described below). The City owns and operates the water supply system that serves the Service Area and, upon inspection and acceptance, will own and operate the Master District Facilities related to water delivery and sanitary sewage collection facilities and road facilities. The Master District will own, operate, and maintain any Master District Facilities not conveyed to the City or another governmental entity. The Developer, and, if applicable, its affiliates, also serve as the developer of the Master District.

Master District Contract

The District and the Master District entered into a "Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Road and Other Facilities," effective as of November 14, 2025 (the "Master District Contract"), which has a term of 40 years. At an election held on November 4, 2025, voters of the District approved the Master District Contract and the levy of the Master District Contract Tax described below. The Master District has agreed to contract with each other Participant on substantially the same terms and may not contract with a Participant unless that Participant's voters have authorized the levy of ad valorem taxes to pay all charges due under its contract. Each of the District, HRID No. 1 and HRID No. 3 have executed the Master District Contract and are considered Participants thereunder.

Master District Bonds. The Master District may issue contract revenue bonds (the "Master District Bonds") in an aggregate amount not to exceed $4,942,295,000 for water, sewer, and drainage facilities (the "Master District Utility Bonds") and $4,910,915,000 for road facilities (the "Master District Road Bonds," and together with the Master District Utility Bonds, the "Master District Bonds"), without the approval or consent of the District or any other Participant, subject to approval by the Attorney General of Texas and any required TCEQ approval. Any increase in such amounts requires the written approval of all Participants and voter approval of a contract amendment by each Participant. The Master District must give the District at least 30 days' notice of its intent to issue Master District Bonds; any objection by the District is waived unless the District institutes arbitration within 60 days after such notice. The Master District may pledge the payments to be received from the Participants to the payment of the Master District Bonds.

District's Pro Rata Share. Under the Master District Contract, the District is obligated to pay its "Pro Rata Share" of the debt service requirements on the Master District Bonds, which is the ratio of the District's Certified Appraised Value to the aggregate Certified Appraised Value of all Participants (including the Master District as a Participant). "Certified Appraised Value" means the appraised value subject to taxation as certified by the Appraisal District, plus the value exempted by any optional exemption or special agricultural, open-space, timberland, or similar appraisal. The Master District prepares an annual debt service budget, generally by September 1 of each year, and adjusts each Participant's Pro Rata Share annually to reflect changes in Certified Appraised Value. As of the date hereof, the District's Pro Rata Share is approximately 85.01%.

Master District Contract Tax. The District has agreed to levy annually a continuing, direct ad valorem tax on all taxable property within the District, without limitation as to rate or amount (the "Master District Contract Tax"), sufficient to pay its Pro Rata Share of debt service on any Master District Bonds, except to the extent the District has other lawfully available funds for such purposes. The District's payment obligations are unconditional and must be made without set-off, counterclaim, abatement, or reduction for any reason, including any failure of the Master District to perform. Late payments accrue interest at 15% per annum. The District has also acknowledged its ultimate obligation to provide its proportionate share of required funds to the Master District from any lawful source (including District bond proceeds) if, for any reason, the Master District is unable to issue and sell its bonds. The Master District Contract Tax is not pledged to the payment of the Bonds.

Monthly Charges. The District is also obligated to pay monthly charges established by the Master District for services from the Master District Facilities (the "Monthly Charges"), generally calculated by multiplying the number of connections reserved to the District by the unit cost per connection of the Master District's annual operation and maintenance budget (excluding operation and maintenance of facilities owned and operated by the City) and including a reserve equal to three months of operation and maintenance expenses. The annual budget is deemed approved unless disapproved by two-thirds of the Participants. If the District fails to pay Monthly Charges when due, the Master District may, among other remedies, cancel the District's reservation of capacity in the Master District Facilities. The Master District has not yet imposed Monthly Charges.

Remedies. Except as otherwise provided, disputes under the Master District Contract are resolved by arbitration. Termination is not an available remedy.

Master District Bonds Outstanding

As of the date hereof, the Master District has not issued any Master District Bonds.

THE UTILITY SYSTEM

General

The Bonds are being issued to finance a portion of the Road System, and no proceeds of the Bonds will be used for water, sanitary sewer, or drainage facilities. The following description of the water, sanitary sewer, and drainage facilities serving the District is provided for informational purposes.

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 City, and Denton County.

The District is located within the City's water certificate of convenience and necessity ("CCN") No. 10195 and sewer CCN No. 20072. Pursuant to the Operating Agreement, the City provides retail water and sanitary sewer service to customers within the District at the same rates charged to other City customers, and the City retains all revenues from such service. The District may not provide or offer to provide retail water or sewer service and has agreed not to contest the City's CCNs. The District's internal water distribution, wastewater collection, and storm drainage facilities are financed by the District and have been advanced by the Developer pending reimbursement and, upon completion and acceptance by the City, are conveyed to the City for ownership, operation, and maintenance (except for certain drainage obligations related to landscaping). Regional water delivery, sanitary sewage collection, and storm sewer and detention facilities necessary to serve the District are provided by the Master District pursuant to the Master District Contract and, upon completion and acceptance, the Master District's water delivery and sanitary sewage collection facilities will be owned and operated by the City. See "AGREEMENTS WITH THE CITY OF DENTON" and "THE MASTER DISTRICT."

Regulation

Construction of the District's water, sanitary sewer, and drainage facilities is subject to the regulatory jurisdiction of the City, the TCEQ, and, in certain instances, Denton County and the U.S. Army Corps of Engineers. Operation of the water and sanitary sewer facilities serving the District, including water treatment and wastewater treatment, is the responsibility of the City and is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. See "RISK FACTORS—Environmental Regulations."

Description of the Utility System

Water Supply and Distribution: The City owns and operates the water supply, treatment, and transmission system that serves the District and the Service Area. The City's raw water supply is derived primarily from Lake Ray Roberts and Lake Lewisville, and is treated at the City's Ray Roberts Water Treatment Plant and Lake Lewisville Water Treatment Plant. Water is delivered to the District through _the City of Denton public water lines, and the District's internal water distribution system consists of 8-inch to 16-inch water lines serving each section of development. The District is located within the corporate limits of the City of Denton, and within Water Certificate of Convenience and Necessity No. 10195 issued to the City. According to the Engineer, the City's water system has adequate capacity to serve the existing and currently planned development within the District.

Wastewater Collection and Treatment: The City owns and operates the wastewater treatment facilities that serve the District and the Service Area. Wastewater from the District is treated at the City's Pecan Creek Water Reclamation Plant. Wastewater from the District is collected by the District's internal gravity collection system and conveyed through the City of Denton public sanitary sewer mains to the City's system. The District is located within the corporate limits of the City of Denton, and within Sewer Certificate of Convenience and Necessity No. 20072 issued to the City. According to the Engineer, the City's wastewater system has adequate capacity to serve the existing and currently planned development within the District.

Storm Drainage and Detention: Storm water in the District is generally carried through curb and gutter streets to underground storm sewer collection systems and released to _the existing Roark Branch and Graveyard Branch tributaries. Regional storm sewer and detention facilities serving the District are provided by the Master District. The District is not responsible for maintenance of man-made drainage structures built within road rights-of-way or public easements that have been conveyed to the City, but is responsible for maintaining adequate drainage within landscaped road rights-of-way, park improvements, and open space within the District.

100-Year Flood Plain

According to the Engineer, approximately 40 acres within the District lie within the 100-year floodplain as shown on the Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map, Panel No. 48121C0365G, effective April 18, 2011. No development will occur within the 100-year floodplain. See "RISK FACTORS – Potential Impact of Natural Disaster."

THE ROAD SYSTEM

General

The District's Road System has and will be funded with proceeds of the Bonds, as well as future bonds issued by the District for acquiring or constructing the Road System. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

According to the Engineer, the Road 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 City and Denton County.

The District's internal roadway facilities are financed by the District and, upon completion and acceptance, are conveyed to the City for ownership, operation, and maintenance. Regional road facilities necessary to serve the District are provided by the Master District pursuant to the Master District Contract. See "THE MASTER DISTRICT.".

Description of the Road System

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.

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DISTRICT DEBT

2026 Certified Taxable Assessed Valuation	$ 52,953,714	(a)
Estimate of Value as of September 1, 2026	$ 102,693,109	(b)
Direct Debt:		
The Bonds	$ 9,045,000	
Total	$ 9,045,000	
Estimated Overlapping Debt	$ 7,411,987	(c)
Total Direct and Estimated Overlapping Debt	$ 16,456,987	(c)
Direct Debt Ratios:		
As a percentage of 2026 Certified Taxable Assessed Valuation	17.08 %	
As a percentage of Estimate of Value as of September 1, 2026	8.81 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2026 Certified Taxable Assessed Valuation	31.08 %	
As a percentage of Estimate of Value as of September 1, 2026	16.03 %	
General Operating Fund (as of October 27, 2026)	$ 1,089	(d)
Road Debt Service Fund (as of Date of Delivery)	$ 746,213	(e)
2026 Tax Rate		
Road Debt Service	$0.000	(f)
Maintenance & Operations	$0.770	
Total	$0.770	
Estimated Average Annual Debt Service Requirements (2027-2055)	$ 631,103	(g)
Estimated Maximum Annual Debt Service Requirement (2032)	$ 643,100	(g)
Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2055) at 95% Tax Collections		
Based Upon 2026 Certified Taxable Assessed Valuation ($52,953,714)	$1.26	
Based Upon the Estimate of Value as of September 1, 2026 ($102,693,109)	$0.65	
Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2032) at 95% Tax Collections		
Based Upon 2026 Certified Taxable Assessed Valuation ($52,953,714)	$1.28	
Based Upon the Estimate of Value as of September 1, 2026 ($102,693,109)	$0.66	

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

(b) The Appraisal District provided an Estimate of Value as of September 1, 2026, of $102,693,109, which reflects the addition of value of new construction within the District from January 1, 2026, to September 1, 2026. Such estimate was provided for informational purposes only and is based upon the same unit of value used in the assessed value. No taxes will be levied on this estimate. See "TAX PROCEDURES."

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

(d) See "RISK FACTORS – Operating Funds.".

(e) Eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund (hereinafter defined) as of the date of delivery of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Funds in the Road Debt Service Fund are pledged only to pay the debt service on the outstanding bonds issued for the Road System and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined).

(f) The District intends to levy a road debt service tax rate for the 2027 tax year.

(g) Debt service on the Bonds is estimated at an interest rate of 5.50%. See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

Estimated Debt Service Requirements

The following schedule sets forth the principal and estimated interest requirements on the Bonds, assuming an estimated interest rate of 5.50%. Totals may not sum due to rounding.

	The Bonds		
Year Ending 12/31	Principal	Interest	Debt Service
2027	$ –	$ 373,106	$ 373,106
2028	145,000	497,475	642,475
2029	150,000	489,500	639,500
2030	160,000	481,250	641,250
2031	170,000	472,450	642,450
2032	180,000	463,100	643,100
2033	185,000	453,200	638,200
2034	195,000	443,025	638,025
2035	210,000	432,300	642,300
2036	220,000	420,750	640,750
2037	230,000	408,650	638,650
2038	245,000	396,000	641,000
2039	260,000	382,525	642,525
2040	270,000	368,225	638,225
2041	285,000	353,375	638,375
2042	305,000	337,700	642,700
2043	320,000	320,925	640,925
2044	335,000	303,325	638,325
2045	355,000	284,900	639,900
2046	375,000	265,375	640,375
2047	395,000	244,750	639,750
2048	420,000	223,025	643,025
2049	440,000	199,925	639,925
2050	465,000	175,725	640,725
2051	490,000	150,150	640,150
2052	515,000	123,200	638,200
2053	545,000	94,875	639,875
2054	575,000	64,900	639,900
2055	605,000	33,275	638,275
	$ 9,045,000	$ 9,256,981	$ 18,301,981

Estimated Average Annual Requirements on the Bonds (2027-2055)	$ 631,103
Estimated Maximum Annual Requirement on the Bonds (2032)	$ 643,100

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Estimated Direct and Overlapping Debt Statement

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

		Estimated Overlapping Debt	
Taxing Jurisdiction	**Debt as of August 31, 2026**	**Percent**	**Amount**
Denton County	$ 700,610,000	0.02%	$ 171,919
City of Denton	1,909,910,000	0.19%	3,695,273
Denton Independent School District	2,356,975,000	0.15%	3,544,795
Total Estimated Overlapping Debt			$ 7,411,987
The District			9,045,000 (a)
Total Direct & Estimated Overlapping Debt			$ 16,456,987

(a) Includes the Bonds.

Debt Ratios

	% of 2026 Assessed Valuation	**% of Estimate of Value as of September 1, 2026**
Direct Debt (a)	17.08%	8.81%
Direct and Estimated Overlapping Debt (a)	31.08%	16.03%

(a) Includes the Bonds.

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for operation and maintenance purposes, an annual ad valorem tax for road operation and maintenance purposes and, as authorized by the voters of the District, the Master District Contract Tax to make payments under the Master District Contract. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Denton Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Denton County, including the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes, are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has adopted an order exercising its option to tax goods-in-transit property for the 2026 tax year and beyond.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market

value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

Tax Abatement

Denton County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Denton County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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 jurisdictions. At this time, Denton County has not designated any of the area within the District as a reinvestment zone.

Tax Exemption for Property Damaged by Disaster

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition of review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the

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

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

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

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made on an annual basis. 2026 is the first year the District will levy a tax and the District made a determination that it is a Developing District for the 2026 tax year. The District will again make a determination for tax years 2027 and beyond. 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.

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, including such taxes for a period of three (3) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2026, approximately no land within the District were designated for agricultural use, timberland or open space land.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain

circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

LEGAL MATTERS

Legal Opinions

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

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to 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 upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

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

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

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

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

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

Additional Federal Income Tax Considerations

Collateral Tax Consequences

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

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

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

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

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount

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

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the

initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

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

Qualified Tax-Exempt Obligations

The Bonds **will** be designated as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for SEC Rule 15c2-12 (the "Rule") (d)(2) exemption from SEC Rule (b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolutions, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain updated financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB , or any successor, through its EMMA system.

The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement in Appendix A. The District will update and provide this information to the MSRB within six (6) months after the end of each of its fiscal years ending in or after 2026. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ, from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds,

or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

Preparation

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developers, the Auditor, information publicly available from the Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below.

The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended September 30, 2026.

Experts

The Engineer: The information contained in this Official Statement relating to engineering and to the Description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Estimated Use and Distribution of Bond Proceeds," "THE DISTRICT – General" and " – Description," DEVELOPMENT WITHIN THE DISTRICT – Current Status of Development," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM." have been provided by the Engineer, which has been included herein in reliance upon the authority of said firms as experts in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

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

Miscellaneous

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.

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This Official Statement was approved by the Board of Directors of Hunter Ranch Improvement District No. 2 of Denton County, Texas, as of the date shown on the first page hereof.

/s/ _____
Peter Dewing
President, Board of Directors
Hunter Ranch Improvement District No. 2
of Denton County, Texas

ATTEST:

/s/ _____
Kameron Duhon
Secretary, Board of Directors
Hunter Ranch Improvement District No. 2
of Denton County, Texas

APPENDIX A

Audited Financial Statements of the District

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY

DENTON COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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(retired)
Debbie Gibson
(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hunter Ranch Improvement
District No. 2 of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Hunter Ranch Improvement District No. 2 of Denton County (the "District") as of and for the inception period ending September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Hunter Ranch Improvement
District No. 2 of Denton County

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

August 25, 2026

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

Management's discussion and analysis of Hunter Ranch Improvement District No. 2 of Denton County's (the "District") financial performance provides an overview of the District's financial activities for inception period ending September 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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 one governmental fund type. The General Fund accounts for developer advances, operating costs and general expenditures.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 current period. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $20,483 as of the inception period ending September 30, 2025. This is the District's first audit. In future years a comparative analysis of government-wide changes in net position will be presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of the Statement of Net Position
	2025
Total Assets	$ 10,691
Due to Developer	$ 7,624
Other Liabilities	23,550
Total Liabilities	$ 31,174
Net Position:	
Unrestricted	$ (20,483)

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

	Summary of the Statement of Activities
	2025
Total Revenues	$ 6
Expenses for Services	20,489
Change in Net Position	$ (20,483)
Net Position, Beginning of Year	
Net Position, End of Year	$ (20,483)

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund had a deficit fund balance of $12,859 as of September 30, 2025 (see Note 10).

CAPITAL ASSETS AND INTANGIBLE ASSETS

The District will convey completed water, wastewater, drainage, road and park facilities to the City of Denton, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and will record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94. As of year-end, the District has not recorded any completed assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not adopt a budget during the current year.

LONG-TERM DEBT ACTIVITY

The District does not have any outstanding bonds.

As of September 30, 2025, the District recorded an amount due to Developer of $7,624, which consists of operating advances.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hunter Ranch Improvement District No. 2 of Denton County, c/o Allen Boone Humphries Robinson, LLP, 4514 Cole Avenue, Suite 1450, Dallas, TX 75205.

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 6,689		$ 6,689
Receivables:			
Other	1,000		1,000
Prepaid Costs	3,002		3,002
TOTAL ASSETS	$ 10,691	$ - 0 -	$ 10,691
LIABILITIES			
Accounts Payable	$ 23,550	$	$ 23,550
Due to Developer		7,624	7,624
TOTAL LIABILITIES	$ 23,550	$ 7,624	$ 31,174
FUND BALANCE			
Nonspendable:			
Prepaid Costs	$ 3,002	$ (3,002)	$
Unassigned	(15,861)	15,861	
TOTAL FUND BALANCE	$ (12,859)	$ 12,859	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 10,691		
NET POSITION			
Unrestricted		$ (20,483)	$ (20,483)

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

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Fund Balance - Governmental Fund	$	(12,859)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Due to Developer		(7,624)
Total Net Position - Governmental Activities	$	(20,483)

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

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Miscellaneous Revenues	$ 6	$ - 0 -	$ 6
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 14,885	$	$ 14,885
Contracted Services	2,661		2,661
Other	2,943		2,943
TOTAL EXPENDITURES/EXPENSES	$ 20,489	$ - 0 -	$ 20,489
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ (20,483)	$ - 0 -	$ (20,483)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 7,624	$ (7,624)	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (12,859)	$ 12,859	$
CHANGE IN NET POSITION		(20,483)	(20,483)
FUND BALANCE/NET POSITION - OCTOBER 1, 2024			
FUND BALANCE/NET POSITION (DEFICIT) - SEPTEMBER 30, 2025	$ (12,859)	$ (7,624)	$ (20,483)

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

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

Net Change in Fund Balance - Governmental Fund	$	(12,859)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report developer advances as other financing sources. However, in the government-wide financial statements, developer advances, net any amount repaid to the developer, are recorded as a liability.		(7,624)
Change in Net Position - Governmental Activities	$	(20,483)

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

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1. CREATION OF DISTRICT

Hunter Ranch Improvement District No. 1 of Denton County, Texas ("District No. 1") was created by House Bill 4683, Act of the 86th Legislature, Regular Session, 2019 as codified in Chapter 3980, Texas Special District Local Laws Code (the "Act"), as a conservation and reclamation district essential to accomplish the purpose of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operating pursuant to the Act and Chapters 49 of the Texas Water Code and Chapter 375 of the Texas Local Government Code.

By Order dated July 22, 2025, District No. 1 was divided into four districts, the District, District No. 1, Hunter Ranch Improvement District No. 3 of Denton County ("District No. 3"), and Hunter Ranch Improvement District No. 4 of Denton County ("District No. 4").

Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, detention, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to construct, acquire, and repair all macadamized, graveled or paved roads. The Board of Directors held its first meeting on July 31, 2025.

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").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

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

When both restricted and unrestricted resources are available for use, generally it 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 by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for developer advances, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the 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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure 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 of $15,000 or more and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Equipment	5-20
Parks and Recreation	30
Water System	10-45
Wastewater System	10-45
Drainage System	20-40

The District will convey completed water, wastewater, certain drainage facilities, road, road right-of-way projects, and park facilities to the City of Denton, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The District did not adopt a General Fund budget for the inception period ended September 30, 2025.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll 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, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. BOND AUTHORIZATION

Subsequent to period ending September 30, 2025, at an election held on November 4, 2025, voters authorized the issuance of bonds as follows: $999,230,000 for the purposes of acquiring or construction of water, sanitary sewer, drainage and storm sewer facilities and for the purpose of refunding any position of the bonds issued, and $945,595,000 for road facilities and for the purpose of refunding any position of the bonds issued.

NOTE 4. MAINTENANCE TAX

Subsequent to period ending September 30, 2025, at an election held on November 4, 2025, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $1.20 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. Voters also approved the levy and collection of a road maintenance tax in an amount not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. This road maintenance tax

NOTE 4. MAINTENANCE TAX (Continued)

is to be used by the General Fund to pay expenditures of operating the District's road facilities and other operating and maintenance expenses related to the road facilities.

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. As of September 30, 2025, the carrying amount of the District's deposits was $6,689 and the bank balance was $7,630. The District was not exposed to custodial credit risk at year-end.

	Cash
GENERAL FUND	$ 6,689

Investments

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District currently has no investments.

NOTE 6. CAPITAL ASSETS

The District will convey completed water, wastewater, drainage, road and park facilities to the City of Denton, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and will record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94. As of year-end, the District has not recorded any completed assets.

NOTE 7. RISK MANAGEMENT

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

NOTE 8. UNREIMBURSED COSTS

The District has executed Financing Agreements for Construction of Water, Sewer and Drainage Facilities, Construction of Recreational Facilities and Construction of Road Facilities (the "Financing Agreements") with developers within the District. The agreements call for the developer to fund costs associated with water, wastewater and drainage facilities, recreational facilities, and road facilities until such time as the District can sell bonds to reimburse the developer.

In accordance with the terms of other financing agreements, the developers have advanced monies to the District's General Fund for the District to meet its ongoing financial obligations. During the current fiscal year, the developers have advanced a total of $7,624 to cover any operating deficits, which is recorded as a liability in the Statement of Net Position.

NOTE 9. OPERATING AGREEMENT

Effective April 7, 2020, District No. 1 entered into an operating agreement with the City of Denton, Texas ("City"). The agreement was amended May 7, 2024, and June 10, 2025. District No. 1 agrees to acquire, construct, improve, finance, maintain and fund for the benefit of the City the water, wastewater, drainage, road, and road right-of-way projects ("Improvement Projects") to serve the area within and outside the District's boundaries and convey the Improvement Projects to the City per the terms and conditions of this agreement. The District agrees to maintain for the benefit of the City the improvement projects consisting of parks, recreational facilities, landscaping and land ("Park Improvements"). The City will provide, and bill and collect for, all water, sewer, recycling and garbage services provided to the District Area. The term of this agreement is outlined in Section 7.21 of this agreement.

On July 31, 2025, the District entered into the Joinder Agreement with District No. 1 in order for the District to be party to the Operating Agreement between District No. 1 and the. Subsequent to period ending September 30, 2025, this agreement was amended on February 9, 2026.

NOTE 10. CONTRACT FOR FINANCING, OPERATION, AND MAINTENANCE OF REGIONAL WATER, SANITARY SEWER, STORM SEWER, ROAD AND OTHER FACILITIES

Subsequent to period ending September 30, 2025, on November 14, 2025, the District executed the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Road and Other Facilities with District No. 1. District No. 1 (the "Regional District") acts in its capacity as regional district providing Regional District Facilities.

The Regional District and the District have agreed to contract in such a manner that the Regional District will be able to provide, as herein described, to all districts that are inexistence or will be created within the Service Area, the Regional District Facilities, as defined herein on a regional basis, to be financed through the issuance of contract revenue bonds as secured by each Participant's obligation to levy and assess a continuing, direct ad valorem tax on all taxable property within the boundaries of each Participant, in support of payment of debt service on such contract revenue bonds. The Regional District intends to serve the entire Service Area and provide such services in such a manner as to promote the orderly development of the Service Area. The Regional District intends to enter into contracts substantially identical to this Contract with all other conservation and reclamation districts hereafter created or organized within the Service Area and shall undertake to perform its obligations and exercise its rights under all such contracts in a manner which does not unfairly discriminate against the District. The Regional District and the District anticipate conducting elections for the consideration and approval of the terms and conditions of this Contract.

NOTE 10. CONTRACT FOR FINANCING, OPERATION, AND MAINTENANCE OF REGIONAL WATER, SANITARY SEWER, STORM SEWER, ROAD AND OTHER FACILITIES (Continued)

The Board of Directors of the District has determined to contract with the Regional District to provide, receive, and transport its water supply through the Water Supply System and the Regional District's Water Delivery System; to transport, treat or cause to be treated, and dispose of or cause to be disposed of all waste collected by the District's Sanitary Sewage Collection System through the Regional District's Sanitary Sewage Collection System and Waste Disposal System; and to transport and detain stormwaters collected by the District's Storm Sewer System through the Regional District's Storm Sewer System.

The Regional District has entered into agreements with the City, whereby it is intended that the City will own and operate portions of the Regional District's Water Delivery System, and provide water supply services to certain lands within the Service Area. It is intended that all or a portion of the Regional District's Road Facilities will be Conveyed to the City for operation and maintenance. The Regional District will own or operate, or cause to be operated any Regional District Facilities hereafter constructed or acquired by or behalf of the Regional District that are not conveyed to another governmental entity or political subdivision for operation and maintenance.

The Regional District intends to finance the Capital Costs of the Regional District Facilities through the issuance of, as applicable, Regional District Water, Sewer, and Drainage Bonds and Regional District Road Bonds pursuant to this Contract.

Subsequent to period ending September 30, 2025, at an election held on November 4, 2025, the voters of the District to levy an annual ad valorem tax on all taxable property within said District to make certain payments for the debt service requirements of the Master District Water, Sewer, and Drainage Bonds in an amount not to exceed an aggregate of $4,942,295,000 and for monthly charges associated with the services from the Master District's Water, Sewer, and Drainage Facilities and to levy an annual ad valorem tax on all taxable property within said District to make certain payments for the debt service requirements of the Master District Road Bonds in an amount not to exceed an aggregate of $4,910,915,000 and for monthly charges associated with the services from the Master District's Road Facilities.

The District agrees to levy and hereby levies and shall annually assess and collect a continuing, direct ad valorem tax on all taxable property within the boundaries of the District to make timely payments of all charges required under this Contract to the Regional District, without limitation as to rate or amount, sufficient to pay the District's Pro Rata Share of the funds needed by the Regional District to pay Debt Service Requirements on the Regional District Bonds issued pursuant to this Contract and the District's share of amounts necessary to pay the Monthly Charges, except to the extent the District has available funds which may be lawfully used for such purposes.

NOTE 10. CONTRACT FOR FINANCING, OPERATION, AND MAINTENANCE OF REGIONAL WATER, SANITARY SEWER, STORM SEWER, ROAD AND OTHER FACILITIES (Continued)

The Regional District shall establish and maintain a reserve equivalent to three months of the Operation and Maintenance Expenses as set forth in the annual budget.

Beginning on or after the commencement of Services to the District, the Regional District will promptly render monthly bills to the District in an amount determined by multiplying the number of Connections reserved to the District on the first day of the previous month by the unit cost per Connection shown in the budget. If the Regional District elects to separately charge for Regulatory Payments pursuant to Section 5.5, the Regional District shall also include in the District's monthly bill an amount equal to the District's pro rata share of Regulatory Payments based on the District's actual water usage during the applicable month as well as any percentage markup necessary to account for water loss occurring throughout the Regional District's Water Delivery System.

The term of this agreement is 40 years.

NOTE 10. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE

The District is dependent upon the developers for operating advances to meet its financial obligations. The developers' ability to make full and timely payments of operating advances could directly affect the District's ability to meet its financial obligations. The District has recorded a deficit fund balance of $12,859 in the General Fund. The District anticipates the deficit will be alleviated with future advances and growth within the District.

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

	Original Budget	Actual	Variance Positive (Negative)
REVENUES			
Miscellaneous Revenues	$ - 0 -	$ 6	$ 6
EXPENDITURES			
Service Operations:			
Professional Fees	$	$ 14,885	$ (14,885)
Contracted Services		2,661	(2,661)
Other		2,943	(2,943)
TOTAL EXPENDITURES	$ -0-	$ 20,489	$ (20,489)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -0-	$ (20,483)	$ (20,483)
OTHER FINANCING SOURCES(USES)			
Developer Advances	$ -0-	$ 7,624	$ 7,624
NET CHANGE IN FUND BALANCE	$ - 0 -	$ (12,859)	$ (12,859)
FUND BALANCE-OCTOBER 1, 2024			
FUND BALANCE (DEFICIT)-SEPTEMBER 30, 2025	$ -0-	$ (12,859)	$ (12,859)

During the inception period ending September 30, 2025, the District did not adopt a General Fund budget. The District did adopted a budget for fiscal year ending September 30, 2026

See accompanying independent auditor's report.

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPEMBER 30, 2025

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
SERVICES AND RATES
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

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

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

N/A Participates in joint venture, regional system and/or wastewater service

N/A Other (specify):

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 X Partly _____ Not at all _____

City in which District is located:

City of Denton, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

HUNTER RANCH IMPROVEMENT DISTRICT NO.2
OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE INCEPTION PERIOD ENDED SEPTEMBER 30, 2025

PROFESSIONAL FEES:		
Legal	$	14,885
CONTRACTED SERVICES:		
Bookkeeping	$	2,661
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	1,326
Insurance		602
Payroll Taxes		101
Travel and Meetings		125
Other		789
TOTAL ADMINISTRATIVE EXPENDITURES	$	2,943
TOTAL EXPENDITURES	$	20,489

See accompanying independent auditor's report.

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – ONE YEAR

	Amounts	Percentage of Total Revenues
	2025	2025
REVENUES		
Miscellaneous Revenues	$ 6	100.0
EXPENDITURES		
Professional Fees	$ 14,885	248,083.3 %
Contracted Services	2,661	44,350.0
Other	2,943	49,050.0
TOTAL EXPENDITURES	$ 20,489	341,483.3 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (20,483)	(341,383.3) %
OTHER FINANCING SOURCES (USES)		
Developer Advances	$ 7,624	
NET CHANGE IN FUND BALANCE	$ (12,859)	
BEGINNING FUND BALANCE		
ENDING FUND BALANCE (DEFICIT)	$ (12,859)	

See accompanying independent auditor's report.

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2 OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2025

District Mailing Address - Hunter Ranch Improvement District No. 2 of Denton County
c/o Allen Boone Humphries Robinson, LLP
4514 Cole Avenue, Suite 1450
Dallas, TX 75205

District Telephone Number - (972) 823-0800

Board Members:	Term of Office (Elected or Appointed)	Fees of office for the inception period ended September 30, 2025	Expense reimbursements for the inception period ended September 30, 2025	Title
Peter Dewing	11/2025 05/2028 (Elected)	$ 663	$ 20	President
Daniel Holley	05/2026 05/2030 (Elected)	$ 221	$ 7	Vice President
Clint Williamson	11/2025 05/2028 (Elected)	$ 221	$ 57	Assistant Vice President
Kameron Duhon	05/2026 05/2030 (Elected)	$ 221	$ 41	Secretary
Nathanael Fisher	05/2026 05/2030 (Elected)	$ -0-	$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: June 3, 2026

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts paid to a Director during the District's current year.

See accompanying independent auditor's report.

HUNTER RANCH IMPROVEMENT DISTRICT NO. 2
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2025

Consultants:	Date Hired	Fees / Compensation for the inception period ended September 30, 2025	Title
Allen Boone Humphries Robinson, LLP	07/31/25	$ 14,885	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	06/23/26	$ -0-	Auditor
Dye & Tovery, LLC	09/30/25	$ 3,661	Bookkeeper
Kimley-Horn & Associates, Inc.	07/31/25	$ -0-	Engineer
Cedar Creek Municipal Advisors	05/26/26	$ -0-	Financial Advisor
Kerry Tovery	11/14/25	$ -0-	Investment Officer

See accompanying independent auditor's report.