NEW ISSUE – Book Entry Only **RATINGS: UTILITY BONDS: S&P Global Ratings (AG Insured): "AA"**
ROAD BONDS: S&P Global Ratings (AG Insured): "AA"

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

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

LEGENDS RANCH MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY

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

$7,950,000	$4,210,000
Unlimited Tax Utility Bonds, Series 2026	**Unlimited Tax Road Bonds, Series 2026**

Dated: August 1, 2026 **Due: September 1, as shown on inside cover page**

The $7,950,000 Unlimited Tax Utility Bonds, Series 2026 (the "Utility Bonds") and the $4,210,000 Unlimited Tax Road Bonds, Series 2026 (the "Road Bonds" and, together with the Utility Bonds, the "Bonds"), are obligations of Legends Ranch Municipal Utility District of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the City of Denton, Texas; or any political subdivision or 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 of Denton, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated August 1, 2026, and interest on the Bonds accrues from the date of their delivery, currently scheduled for August 20, 2026 (the "Delivery Date"). Interest is payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

The scheduled payment of principal of and interest on the Utility Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Utility Bonds by **ASSURED GUARANTY INC.** ("AG" or the "Insurer"). The scheduled payment of principal of and interest on the Road Bonds will be guaranteed under a separate municipal bond insurance policy to be issued concurrently with the delivery of the Road Bonds by the Insurer. See "BOND INSURANCE" and Appendix D herein.

ASSURED GUARANTY

The Utility Bonds represent the initial series of bonds to be issued by the District for the purpose of purchasing, constructing, acquiring, owning, leasing or operating a waterworks, surface water, sanitary sewer and drainage and storm sewer system serving the District (the "Utility System"). The Road Bonds represent the initial series of bonds to be issued by the District for the purpose of purchasing, constructing, acquiring, owning, operating or maintaining a road system serving the District (the "Road System"). At an election held within the District on November 5, 2024, voters of the District authorized a total of $230,267,389 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System and a total of $197,334,900 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Road System. See "THE BONDS—Authority for Issuance."

When issued, the Utility Bonds and the Road Bonds will constitute valid and binding obligations of the District and will each be payable from the proceeds of separate annual ad valorem taxes, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS—Source of Payment."

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

The Bonds are offered when, as, and if issued by the District subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, as Bond Counsel, and Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about August 20, 2026.

Official Statement Dated July 22, 2026

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

$7,950,000 Unlimited Tax Utility Bonds, Series 2026

$6,990,000 Serial Bonds

Maturity (September 1)	*Principal Amount*	*Interest Rate*	*Initial Reoffering Yield*[(a)]	*CUSIP No. 524939*[(b)]
2029	$ 185,000	6.625%	3.050%	AA3
2030	195,000	6.625	3.100	AB1
2031	205,000	6.625	3.150	AC9
2032[(c)]	215,000	6.625	3.250	AD7
2033[(c)]	230,000	6.625	3.350	AE5
2034[(c)]	240,000	6.625	3.450	AF2
2035[(c)]	255,000	5.250	3.650	AG0
2036[(c)]	265,000	4.125	3.900	AH8
2037[(c)]	280,000	4.125	4.000	AJ4
2038[(c)]	295,000	4.125	4.125	AK1
2039[(c)]	310,000	4.125	4.160	AL9
2040[(c)]	325,000	4.125	4.240	AM7
2041[(c)]	345,000	4.250	4.320	AN5
2042[(c)]	360,000	4.250	4.400	AP0
2043[(c)]	380,000	4.375	4.480	AQ8
2044[(c)]	400,000	4.375	4.550	AR6
2045[(c)]	420,000	4.500	4.600	AS4
2046[(c)]	445,000	4.500	4.630	AT2
2049[(c)]	520,000	4.625	4.705	AW5
2050[(c)]	545,000	4.625	4.712	AX3
2051[(c)]	575,000	4.625	4.719	AY1

$960,000 Term Bonds

$960,000 Term Bond Due September 1, 2048[(c)(d)] Interest Rate: 4.625% Yield: 4.700%[(a)] CUSIP[(b)] 524939AV7

(a) The initial reoffering yield has been provided by the Utility Bonds Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Utility Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

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(c) Utility Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The yield on the Utility Bonds is calculated to the lower of yield to redemption or maturity. See "THE BONDS — Redemption of the Bonds."

(d) The Utility Bonds maturing September 1, 2048 are subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS— Redemption of the Bonds."

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

$4,210,000 Unlimited Tax Road Bonds, Series 2026

$3,705,000 Serial Bonds

Maturity (September 1)	*Principal Amount*	*Interest Rate*	*Initial Reoffering Yield*[(a)]	*CUSIP No. 524939*[(b)]
2029	$ 100,000	6.625%	3.050%	AZ8
2030	105,000	6.625	3.100	BA2
2031	110,000	6.625	3.150	BB0
2032[(c)]	115,000	6.625	3.250	BC8
2033[(c)]	120,000	6.625	3.350	BD6
2034[(c)]	125,000	6.625	3.450	BE4
2035[(c)]	135,000	5.500	3.650	BF1
2036[(c)]	140,000	4.125	3.900	BG9
2037[(c)]	150,000	4.125	4.000	BH7
2038[(c)]	155,000	4.125	4.125	BJ3
2039[(c)]	165,000	4.125	4.160	BK0
2040[(c)]	175,000	4.125	4.240	BL8
2041[(c)]	180,000	4.250	4.320	BM6
2042[(c)]	190,000	4.250	4.400	BN4
2043[(c)]	200,000	4.375	4.480	BP9
2044[(c)]	210,000	4.375	4.550	BQ7
2045[(c)]	225,000	4.500	4.600	BR5
2046[(c)]	235,000	4.500	4.630	BS3
2049[(c)]	275,000	4.625	4.705	BV6
2050[(c)]	290,000	4.625	4.712	BW4
2051[(c)]	305,000	4.625	4.719	BX2

$505,000 Term Bonds

$505,000 Term Bond Due September 1, 2048[(c)] Interest Rate: 4.625% Yield: 4.700%[(a)] CUSIP[(b)] 524939BU8

(a) The initial reoffering yield has been provided by the Road Bonds Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Road Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor its agents or counsel assume responsibility for the accuracy of such numbers.

(c) Road Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The yield on the Road Bonds is calculated to the lower of yield to redemption or maturity. See "THE BONDS — Redemption of the Bonds."

(d) The Road Bonds maturing September 1, 2048 are subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS— Redemption of the Bonds."

USE OF INFORMATION IN OFFICIAL STATEMENT

Except where otherwise indicated, all information contained in this Official Statement has been provided by the District. No dealer, broker, salesperson or other person has been authorized by the District or the Initial Purchaser to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Initial Purchaser. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Initial Purchaser has provided the following sentence for inclusion in this Official Statement:

> The Initial Purchaser has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Initial Purchaser does not guarantee the accuracy or completeness of such information.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "DEVELOPMENT OF THE DISTRICT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS

References to website 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 websites, including the website maintained by the District, and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Utility Bonds Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 98.002552% of the par value thereof, which resulted in a net effective interest rate of 4.726977%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 98.000684% of the par value thereof, which resulted in a net effective interest rate of 4.731590%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to as the "Initial Purchasers" throughout this Official Statement.

Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers. Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities acts of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

MUNICIPAL BOND INSURANCE

The scheduled payment of principal of and interest on the Utility Bonds when due will be guaranteed under a municipal bond insurance policy (the “Utility Bonds Policy”) to be issued concurrently with the delivery of the Utility Bonds by **ASSURED GUARANTY INC.** (“AG” or the “Insurer”). The scheduled payment of principal of and interest on the Road Bonds will be guaranteed under a separate municipal bond insurance policy (the “Road Bonds Policy” and, together with the Utility Bonds Policy, the “Policies”) to be issued concurrently with the delivery of the Road Bonds by the Insurer. See “BOND INSURANCE.” A specimen of the Policies is set forth in Appendix D herein.

RATINGS

S&P Global Ratings (“S&P”) has assigned the rating of “AA (Stable)” to the Utility Bonds based solely upon the delivery by the Insurer of the Utility Bonds Policy at the time of issuance of the Utility Bonds. S&P has assigned the rating of “AA (Stable)” to the Road Bonds based solely upon the delivery by the Insurer of the Road Bonds Policy at the time of issuance of the Road Bonds. See the captions “BOND INSURANCE” and “RATINGS.”

Such ratings reflect only the views of S&P and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings on the Bonds may have an adverse effect on the market price of the Bonds. The District has not undertaken any responsibility either to bring to the attention of the owners of the Bonds a proposed change in or withdrawal of any ratings or to oppose any such proposed revision or withdrawal.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the 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	Legends Ranch Municipal Utility District of Denton County (the "District"), a political subdivision of the State of Texas, is located in Denton County, Texas. See "THE DISTRICT."
The Bonds	The District is issuing $7,950,000 Unlimited Tax Utility Bonds, Series 2026 (the "Utility Bonds") and $4,210,000 Unlimited Tax Road Bonds, Series 2026 (the "Road Bonds" and, together with the Utility Bonds, the "Bonds"). The Bonds are dated August 1, 2026, and mature on September 1 in the years and amounts set forth on the pages following the cover page hereof. Interest accrues from the date of the initial delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS."
Redemption	The Bonds maturing on and after September 1, 2032, are subject to optional redemption, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Utility Bonds maturing on September 1, 2048; and the Road Bonds maturing on September 1, 2048, are Term Bonds and are subject to mandatory sinking fund 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 ("DTC"), 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 BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent

payment to the Beneficial Owners of the Bonds. See "THE BONDS — Book-Entry-Only System."

Source of Payment	The Utility Bonds and the Road Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Denton County, Texas; the City of Denton, Texas; or any entity other than the District. See "THE BONDS — Source of Payment."
Not Qualified Tax-Exempt Obligations	The Bonds have NOT been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS — Not Qualified Tax-Exempt Obligations."
No Outstanding Bonds	The Bonds are the first and second series of bonds to be issued by the District.
Authority for Issuance	At an election held within the District on November 5, 2024, voters of the District authorized the District's issuance of $230,267,389 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing or operating the Utility System; $345,401,084 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $197,334,900 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, operating or maintaining the Road System; and $296,002,350 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $222,317,389 principal amount for purchasing, constructing, acquiring, owning, leasing or operating the Utility System; and $345,401,084 principal amount for the refunding of bonds issued by the District for the Utility System; $193,124,900 principal amount for purchasing, constructing, acquiring, owning, operating or maintaining the Road System; and $296,002,350 principal amount for the refunding of bonds issued for the Road System. The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 5, 2024; (iii) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Utility Bond Order"); and (iv) an approving order of the Texas

Commission on Environmental Quality (the "TCEQ") dated June 4, 2026.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 5, 2024; and (iii) an order adopted by the Board of Directors of the District on the date of the sale of the Road Bonds (the "Road Bond Order").

The Utility Bond Order and the Road Bond Order are referred to collectively as the "Bond Orders" in this Official Statement. See "THE BONDS — Authority for Issuance."

Use of Utility Bond Proceeds .... Proceeds from the sale of the Utility Bonds will be used to reimburse the Developer (herein defined) for the District's pro-rata share of water distribution, wastewater collection and drainage facilities which were constructed to serve the District, as described further under "THE BONDS — Use and Distribution of Utility Bond Proceeds." Proceeds of the Utility Bonds will also be used to pay developer interest, 24 months of capitalized interest on the Utility Bonds and costs of issuance of the Utility Bonds. See "THE BONDS — Use and Distribution of Utility Bond Proceeds" for further information.

Use of Road Bond Proceeds .... Proceeds from the sale of the Road Bonds will be used to reimburse the Developer (herein defined) for costs associated with certain road improvements set out under "THE BONDS — Use and Distribution of Road Bond Proceeds." Proceeds of the Road Bonds will also be used to pay developer interest, 24 months of capitalized interest on the Road Bonds and costs of issuance of the Road Bonds. See "THE BONDS — Use and Distribution of Road Bond Proceeds" for further information.

Municipal Bond Insurance............................... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc. See "BOND INSURANCE" and Appendix D.

No Ratings .... S&P Global Ratings ("S&P") has assigned the rating of "AA (Stable)" to the Utility Bonds and the rating of "AA (Stable)" to the Road Bonds based solely upon the delivery by the Insurer of the Insurer's municipal bond insurance policies for the Bonds at the time of issuance of the Bonds. See "RATINGS."

Legal Opinion	Coats Rose, P.C., Dallas, Texas. See "LEGAL MATTERS."
Disclosure Counsel	Stradling Yocca Carlson & Rauth LLP.
Municipal Advisor	Tierra Financial Advisors, LLC, Arlington, Texas ("Tierra"). Tierra is a wholly-owned subsidiary of D.R. Horton, Inc., the ultimate parent company of the primary developer of land in the District. See "RELATIONSHIP AMONG THE PARTIES" herein.

THE DISTRICT

Description	The District is located in Denton County, Texas, The District was created by order of the TCEQ dated June 6, 2022. The creation and operation of the District is pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The creation of the District was confirmed by election on November 5, 2024. See "THE DISTRICT."
Location	The District is located approximately 39 miles northwest of downtown Dallas, Texas, within Denton County, Texas and within the City of Denton, Texas, Division One extra-territorial jurisdiction. The District was created by Order of the TCEQ dated June 6, 2022, which included the granting of road powers. The District initially consisted of approximately 496 acres. Approximately 46 acres were annexed to the District on August 22, 2022 and approximately 21 acres were excluded from the District on September 17, 2024. Accordingly, the District currently consists of approximately 521 acres.
Developer and Principal Landowner	The principal developer of the land within the District is D.R. Horton – Texas, LTD., a Texas limited partnership (the "Developer"). The Developer is wholly owned by D.R. Horton, Inc., a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "DHI." See "THE DEVELOPER AND PRINCIPAL LANDOWNER." Portions of the property within the District are also currently owned by Double R Land Company, LLC, a Texas limited liability company ("Double R") and Forestar (USA) Real Estate Group Inc. ("Forestar"), each of which are serving as landbanks for the Developer. Forestar is acquiring property from Double R over time and developing the property into finished lots for delivery to the Developer. The Developer expects to acquire finished lots as they are developed from Forestar and to construct all of the single-

family homes expected to be developed within the District. As of June 1, 2026, Forestar owned all of the property within Phase 2 of Hickory Grove other than 26 finished lots owned by the Developer and all of the property within Phase 3, and Double R owned all of the property within Phases 4, 5 and 6 of Hickory Grove. See "DEVELOPMENT OF THE DISTRICT."

Development within the District....................... The property within the District is being developed into a single-family residential development known as "Hickory Grove." At full buildout, Hickory Grove is expected to be developed with 1,518 single-family homes across approximately 267.26 acres, with the remainder of the Hickory Grove development expected to consist of an approximately 3.84 acre amenity center for the development and approximately 230.59 acres of undevelopable land (including roads, water and wastewater facilities, detention ponds, permanent floodplain, and parks and permanent open space). The District also includes an approximately 19.34 acre parcel expected to be developed with a multi-family development outside of the Hickory Grove project.

The Hickory Grove development is expected to be developed in seven different "Phases" and as of June 1, 2026, the Developer was actively constructing homes in Phases 1A and 1B within the District. As of June 1, 2026, the Developer had completed construction of 264 homes (238 of which had been conveyed to individual homeowners and 26 of which were owned by the Developer), and the Developer owned 79 lots with homes under construction and 42 vacant lots. Homes in the District currently range in price from approximately $239,990 to approximately $371,280 and in size from approximately 1,280 square feet to 2,091 square feet.

See "THE DEVELOPER AND PRINCIPAL LANDOWNER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

RISK FACTORS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION

2025 Certified Taxable Assessed Valuation	$ 17,079,997[(a)]
Estimated Assessed Valuation as of December 1, 2025	$ 79,950,150[(b)]
Preliminary 2026 Assessed Valuation as of January 1, 2026	$ 123,298,425[(c)]
Direct Debt:	
The Utility Bonds	$ 7,950,000
The Road Bonds	4,210,000
Total	$ 12,160,000
Estimated Overlapping Debt	$ 1,647,848[(d)]
Total Direct and Estimated Overlapping Debt	$ 13,807,848
Direct Debt Ratio:	
As a percentage of 2025 Certified Taxable Assessed Valuation	71.19%
As a percentage of Estimated Assessed Valuation as of December 1, 2025	15.21%
As a percentage of Preliminary 2026 Assessed Valuation as of January 1, 2026	9.86%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2025 Certified Taxable Assessed Valuation	80.84%
As a percentage of Estimated Assessed Valuation as of December 1, 2025	17.27%
As a percentage of Preliminary 2026 Assessed Valuation as of January 1, 2026	11.20%
District Funds	
Operating Fund (as of June 17, 2026)	$ 109,453
2025 Tax Rate per $100 of Taxable Assessed Valuation:	
Utility Debt Service	--[(e)]
Road Debt Service	--[(f)]
Maintenance & Operation	1.200
Total	$1.200
Average Annual Debt Service Requirements on the Bonds (2027-2052)	$ 817,404[(g)]
Maximum Annual Debt Service Requirements on the Bonds (2052)	$ 900,350[(g)]
Overall Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds (2027-2052):	
Based on 2025 Certified Taxable Assessed Valuation at 95% Collections	$ 5.04
Based on Estimated Assessed Valuation as of December 1, 2025 at 95% Collections	$ 1.08
Based on Preliminary 2026 Assessed Valuation as of January 1, 2026 at 95% Collections	$ 0.70
Overall Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Bonds and Outstanding Bonds (2052):	
Based on 2025 Certified Taxable Assessed Valuation at 95% Collections	$ 5.55
Based on Estimated Assessed Valuation as of December 1, 2025 at 95% Collections	$ 1.17
Based on Preliminary 2026 Assessed Valuation as of January 1, 2026 at 95% Collections	$ 0.50
Average Annual Debt Service Requirements on the Utility Bonds (2027-2052)	$ 534,389[(h)]
Maximum Annual Debt Service Requirements on the Utility Bonds (2052)	$ 588,297[(h)]
Utility System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Utility Bonds (2027-2052):	
Based on 2025 Certified Taxable Assessed Valuation at 95% Collections	$ 3.29
Based on Estimated Assessed Valuation as of December 1, 2025 at 95% Collections	$ 0.70
Based on Preliminary 2026 Assessed Valuation as of January 1, 2026 at 95% Collections	$ 0.46
Utility System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Utility Bonds (2052):	
Based on 2025 Certified Taxable Assessed Valuation at 95% Collections	$ 3.63
Based on Estimated Assessed Valuation as of December 1, 2025 at 95% Collections	$ 0.77
Based on Preliminary 2026 Assessed Valuation as of January 1, 2026 at 95% Collections	$ 0.50
Average Annual Debt Service Requirements on the Road Bonds (2027-2052)	$ 283,015[(i)]
Maximum Annual Debt Service Requirements on the Road Bonds (2052)	$ 312,053[(i)]

Road System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Road Bonds (2027-2052):		
Based on 2025 Certified Taxable Assessed Valuation at 95% Collections	$	1.74
Based on Estimated Assessed Valuation as of December 1, 2025 at 95% Collections	$	0.34
Based on Preliminary 2026 Assessed Valuation as of January 1, 2026 at 95% Collections	$	0.24
Road System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Road Bonds (2052):		
Based on 2025 Certified Taxable Assessed Valuation at 95% Collections	$	1.92
Based on Estimated Assessed Valuation as of December 1, 2025 at 95% Collections	$	0.41
Based on Preliminary 2026 Assessed Valuation as of January 1, 2026 at 95% Collections	$	0.27

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Denton Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of December 1, 2025 and includes an estimate of additional value resulting from the construction of taxable improvements from January 1, 2025 to December 1, 2025. No taxes will be levied on this estimated assessed value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Represents the preliminary assessed valuation of all taxable property in the District as of January 1, 2026, provided by the Appraisal District. Values are uncertified until the Appraisal District certifies rolls in late July. Includes the total preliminary taxable value of $117,911,771 provided by the Appraisal District, as well as 50% of the amount of $10,773,307 which has been marked as "under review" by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT — Direct and Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include 24 months of capitalized interest which will be deposited into the Utility System Debt Service Fund.

(f) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include 24 months of capitalized interest which will be deposited into the Road System Debt Service Fund.

(g) See "DISTRICT DEBT – Combined Debt Service Requirement Schedule."

(h) See "DISTRICT DEBT – Utility System Debt Service Requirement Schedule."

(i) See "DISTRICT DEBT – Road System Debt Service Requirement Schedule."

LEGENDS RANCH MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
(A Political Subdivision of the State of Texas Located within Denton County, Texas)

$7,950,000	**$4,210,000**
Unlimited Tax Utility Bonds, Series 2026	**Unlimited Tax Road Bonds, Series 2026**

INTRODUCTION

This Official Statement of Legends Ranch Municipal Utility District of Denton County (the "District") is provided to furnish information with respect to the issuance by the District of its $7,950,000 Unlimited Tax Utility Bonds, Series 2026 (the "Utility Bonds") and its $4,210,000 Unlimited Tax Road Bonds, Series 2026 (the "Road Bonds" and, together with the Utility Bonds, the "Bonds").

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 5, 2024; (iii) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Utility Bond Order"); and (iv) an approving order of the Texas Commission on Environmental Quality (the "TCEQ") dated June 4, 2026 (the "TCEQ Order").

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 5, 2024; and (iii) an order adopted by the Board of Directors of the District on the date of the sale of the Road Bonds (the "Road Bond Order").

The Utility Bond Order and the Road Bond Order are referred to collectively as the "Bond Orders" in this Official Statement. See "THE BONDS — Authority for Issuance."

This Official Statement includes descriptions of the Bonds, D.R. Horton—Texas, Ltd., a Texas limited partnership (the "Developer"), the Bond Orders, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

RELATIONSHIP AMONG THE PARTIES

Tierra Financial Advisors, LLC, serves as municipal advisor to the District (the "Municipal Advisor") and is a wholly owned subsidiary of D.R. Horton, Inc., a Delaware corporation ("D.R. Horton, Inc."), the ultimate parent company of the Developer. The Developer, which is a wholly-owned subsidiary of D.R. Horton, Inc. and the primary developer of land in the district, owned property representing approximately 36.71% of the total taxable assessed value of property in the District as of January 1, 2025. Furthermore, Forestar (USA) Real Estate Group Inc. ("Forestar"), which is a wholly-owned subsidiary of Forestar Group, Inc. a Delaware corporation ("Forestar Group'), owned property representing approximately 38.06% of the total taxable assessed value of property in the District as of January 1, 2025. Forestar Group is a majority owned subsidiary of D.R. Horton, Inc. See "DEVELOPMENT OF THE DISTRICT," "THE DEVELOPER AND PRINCIPAL LANDOWNER" and "TAX DATA — Principal Taxpayers." A portion of the proceeds of the Bonds will be used to reimburse the Developer for expenditures incurred in connection with the development of infrastructure in the District. See "THE BONDS — Use and Distribution of Utility Bond Proceeds" and "—Use and Distribution of Road Bond Proceeds." No employees of the Developer, D.R. Horton, Inc., or any other subsidiary or affiliate of D.R. Horton, Inc., are members of the Board of the District and the Municipal Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

THE BONDS

General

The following is a description of certain of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders. Copies of the Bond Orders may be obtained from the District upon written request made to Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248.

The Bonds are dated August 1, 2026, with interest payable on March 1, 2027, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX C — "BOOK-ENTRY-ONLY SYSTEM."

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying

Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 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.

Redemption of the Bonds

Optional Redemption. Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one 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.

Mandatory Sinking Fund Redemption of Term Utility Bonds. The Utility Bonds maturing September 1, 2048 (the "Term Utility Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the tables below:

Term Utility Bonds Maturing September 1, 2048

Sinking Fund Redemption Date (September 1)	***Principal Amount to be Redeemed***
2047	$470,000
2048 (Maturity)	490,000

Mandatory Sinking Fund Redemption of Term Road Bonds. The Road Bonds maturing September 1, 2048 (the "Term Road Bonds" and , together with the Term Utility Bonds, the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the tables below:

Term Road Bonds Maturing September 1, 2048

Sinking Fund Redemption Date (September 1)	***Principal Amount to be Redeemed***
2047	$245,000
2048 (Maturity)	260,000

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Annexation

The District lies within the extraterritorial jurisdiction of the City of Denton, Texas (the "City"). Under existing Texas law, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City and ultimately the qualified voters in the District, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should such annexation occur. The Bond Orders provide for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the City.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes, and other obligations. If each district assumes the other's bonds, notes, and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Authority for Issuance

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 5, 2024; (iii) the Utility Bond Order; and (iv) the TCEQ Order.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 5, 2024; and (iii) the Road Bond Order.

At an election held within the District on November 5, 2024, voters of the District authorized the District's issuance of $230,267,389 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing or operating a waterworks, surface water, sanitary sewer and drainage and storm sewer system serving the District (the "Utility System"); $345,401,084 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $197,334,900 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, operating or maintaining a road system serving the District (the "Road System"); and $296,002,350 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Bond Debt Service Funds

The Utility Bond Order creates a fund for debt service on the Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility Bond Debt Service Fund"). Twenty-four (24) months of capitalized interest on the Utility Bonds will be deposited from the proceeds from sale of the Utility Bonds into the Utility Bond Debt Service Fund. The Utility Bond Debt Service Fund, which constitutes a trust fund for the benefit of the owners of bonds issued for the Utility System, and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Utility Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility Bond 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 Utility Bonds and any additional bonds for the Utility 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.

The Road Bond Order creates a fund for debt service on the Road Bonds and any additional unlimited tax bonds issued by the District for the Road System (the "Road Bond Debt Service Fund"). Twenty-four (24) months of capitalized interest on the Road Bonds will be deposited from the proceeds from sale of the Road Bonds into the Road Bond Debt Service Fund. The Road Bond Debt Service Fund, which constitutes a trust fund for the benefit of the owners of bonds issued for the Road System, 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 Road Bonds and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road Bond 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 Road 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.

Source of Payment

The Utility Bonds and the Road Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Orders, 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, Paying Agent/Registrar fees, and fees of the Appraisal District (herein defined). Tax proceeds, after deduction for collection costs, will be placed in the applicable Debt Service Fund and used solely to pay principal of and interest on the applicable Bonds, any additional bonds payable from taxes that the District may hereafter issue for the Utility System or the Road System, as applicable, and fees of the Paying Agent/Registrar.

The Utility Bonds and the Road Bonds are each supported by a separate unlimited tax levied by the District. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued for the Road System, including the Road Bonds. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds. The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Denton County, Texas (the "County"); the City; or any entity other than the District.

Issuance of Additional Debt

The District's voters have authorized the District's issuance of $230,267,389 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $345,401,084 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $197,334,900 bonds for the purpose of constructing or acquiring the Road System; and $296,002,350 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. The District may authorize additional amounts in the future.

The Utility Bonds are the initial series of Utility bonds issued by the District for the Utility System and the Road Bonds are the initial series of Road bonds issued for the Road System Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $222,317,389 principal amount for purchasing, constructing, acquiring, owning, leasing or operating the Utility System; and $345,401,084 principal amount for the refunding of bonds issued by the District for the Utility System; $193,124,900 principal amount for purchasing, constructing, acquiring, owning, operating or maintaining the Road System; and $296,002,350 principal amount for the refunding of bonds issued for the Road System.

The Bond Orders impose no limitation on the amount of additional parity bonds that may be issued by the District, if authorized by the District's voters and, in the case of bonds for the Utility System, approved by the TCEQ. The District's issuance of the remaining $222,317,389 principal amount of unlimited tax bonds for the Utility System shall be subject to prior approval by the TCEQ. The $193,124,900 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately $15.6 million of eligible expenses associated with construction of the Utility System facilities on behalf of the District and $13.7 million of eligible expenses for construction of the Road System facilities on behalf of the District based on the most recent information provided and estimations available to date, pursuant to a reimbursement agreement pursuant to which the District is generally required to reimburse the Developer for the costs of facilities constructed by the Developer on behalf of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Amendments to the Bond Orders

The District may, without the consent of or notice to any Bondholder, amend a Bond Order in any manner not detrimental to the interests of the Bondholder, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Bondholders of a majority in aggregate principal amount of the applicable series of Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of a Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the applicable Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

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

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

Use and Distribution of Utility Bond Proceeds

Proceeds from the sale of the Utility Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Utility Bonds will also be used to pay those non-construction costs shown below. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Municipal Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Utility Bonds and completion of agreed-upon procedures by the District's auditor. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Construction Costs	***Total***
A. Construction	
1. Hickory Grove Phase 1A & 1B Clearing & Grading	$ 687,867
2. Hickory Grove Phase 1A Utilities	2,445,040
3. Hickory Grove Phase 1B Utilities	2,005,380
4. Hickory Grove Phase 2 Clearing & Grading	40,277
5. Hickory Grove Phase 2 Utilities	706,329
B. Engineering	
1. Hickory Grove Phase Master Subsurface Utilities	4,061
2. Hickory Grove Phase 1A	68,362
3. Hickory Grove Phase 1B	91,184
4. Hickory Grove Phase 2	71,129
TOTAL DEVELOPER CONTRIBUTION ITEMS	**$ 6,119,629**
TOTAL CONSTRUCTION COSTS	**$ 6,119,629**
Non-Construction Costs	
A. Legal Fees	$ 139,500
B. Fiscal Agent Fees	79,500
C. Interest	
1. Capitalized Interest	763,263
2. Developer Interest	407,345
D. Bond Discount	159,000
E. Developer Advances and Operating Costs	15,500
F. TCEQ Bond Issuance Fee	19,875
G. Bond Application Report Costs	60,326
H. Bond Issuance Expense	47,125
I. Attorney General's Fee	7,950
J. Contingency	130,987
TOTAL NON-CONSTRUCTION COSTS	**$ 1,830,371**
TOTAL BOND ISSUE REQUIREMENT	**$ 7,950,000**

Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Road Bonds will also be used to pay those non-construction costs shown below. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Municipal Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the District's auditor. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Construction Costs	***Total***
A. Construction	
1. Hickory Grove Phase 1A & 1B Mass Grading	$ 482,064
2. Hickory Grove Phase 1A Utilities	781,542
3. Hickory Grove Phase 1A Paving	1,459,813
4. Hickory Grove Phase 1B Utilities	5,036
5. Hickory Grove Phase 1B Paving	208,113
6. Hickory Grove Phase 2 Grading	14,695
7. Hickory Grove Phase 2 Utilities	988
8. Hickory Grove Phase 2 Paving	167,230
B. Engineering	
1. Hickory Grove Phase 1A	$ 11,259
2. Hickory Grove Phase 1B	11,140
3. Hickory Grove Phase 2	11,565
TOTAL CONSTRUCTION COSTS	**$ 3,153,444**
Non-Construction Costs	
A. Legal Fees	$ 94,200
B. Fiscal Agent Fees	42,100
C. Interest	
1. Capitalized Interest	404,963
2. Developer Interest	295,596
D. Bond Discount	84,200
E. Bond Application Report Costs	21,050
F. Bond Issuance Expense	47,100
G. Attorney General's Fee	4,210
H. Contingency	63,137
TOTAL NON-CONSTRUCTION COSTS	**$ 1,056,556**
TOTAL BOND ISSUE REQUIREMENT	**$ 4,210,000**

BOND INSURANCE

Bond Insurance Policies

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy for the Utility Bonds (the " Utility Bonds Policy"). The Utility Bonds Policy guarantees the scheduled payment of principal of and interest on the Utility Bonds when due as set forth in the form of the Utility Bonds Policy included as an appendix to this Official Statement.

Concurrently with the issuance of the Bonds, AG will issue its Municipal Bond Insurance Policy for the Road Bonds (the "Road Bonds Policy" and, together with the Utility Bonds Policy, the "Policies"). The Road Bonds Policy guarantees the scheduled payment of principal of and interest on the Road Bonds when due as set forth in the form of the Road Bonds Policy included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At March 31, 2026:

- The policyholders' surplus of AG was approximately $3,158 million.

- The contingency reserve of AG was approximately $1,539 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,402 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100)Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

THE DISTRICT

Authority

The District was created by order of the TCEQ dated June 6, 2022. The creation and operation of the District is pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended.

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

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

Description

The District is located approximately 39 miles northwest of downtown Dallas, Texas, within Denton County, Texas and within the City of Denton, Texas, Division One extra-territorial jurisdiction. The District was created by Order of the TCEQ dated June 6, 2022, which included the granting of road powers. The District initially consisted of approximately 496 acres. Approximately 46 acres were annexed to the District on August 22, 2022, and approximately 21 acres were excluded from the District on September 17, 2024. Accordingly, the District currently consists of approximately 521 acres.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

Name	***Title***	***Term Expires May***
Ryan Clark	President	2030
Chris Janowski	Vice President	2028
James Seidel	Secretary	2030
Ryan Jordan	Assistant Secretary	2028
Steele Hungerford	Assistant Secretary	2030

Investment Policy

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

Consultants

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

Tax Assessors/Collectors: The Tax Assessor and Collector for the District is Dawn Waye, the Denton County Tax Assessor-Collector.

Bookkeeper: The District contracts with L&S District Services LLC for bookkeeping services.

Auditor: The District's financial statements for the fiscal year ended August 31, 2025, were audited by McGrath & Co., PLLC. See Appendix A for a copy of such audited financial statements.

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

Disclosure Counsel: Stradling Yocca Carlson & Rauth LLP, serves as Disclosure Counsel to the District for issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Municipal Advisor: Tierra Financial Advisors, LLC is engaged as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal 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 Municipal 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. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton, Inc. See "RELATIONSHIP AMONG THE PARTIES" herein.

THE DEVELOPER AND PRINCIPAL LANDOWNER

Role of the Developer

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

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

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

The Developer

D.R. Horton – Texas, LTD., a Texas limited partnership (previously defined as the "Developer"), is the principal land-owner and primary developer of land within the District, and the only active developers of land within the District currently are the Developer and Forestar. The Developer is a wholly-owned subsidiary of D.R. Horton, Inc., a Delaware corporation (previously defined as "D.R. Horton, Inc."). D.R. Horton, Inc. is a public company whose common stock is traded on the New York Stock Exchange under the symbol "DHI." D.R. Horton, Inc. has been the largest homebuilder by volume in the United States since 2002. Founded in 1978 in Fort Worth, Texas, D.R. Horton, Inc. has operations in 126 markets in thirty-six (36) states across the United States. For the trailing twelve months ended March 31, 2026, D.R. Horton Inc.'s homebuilding operations closed

83,832 homes. Consolidated revenues for the same twelve-month period exceeded $33.3 billion. D.R. Horton, Inc. is engaged in the construction and sale of high-quality homes through its diverse brand portfolio that includes D.R. Horton, Express Homes, Freedom Homes and Emerald Homes.

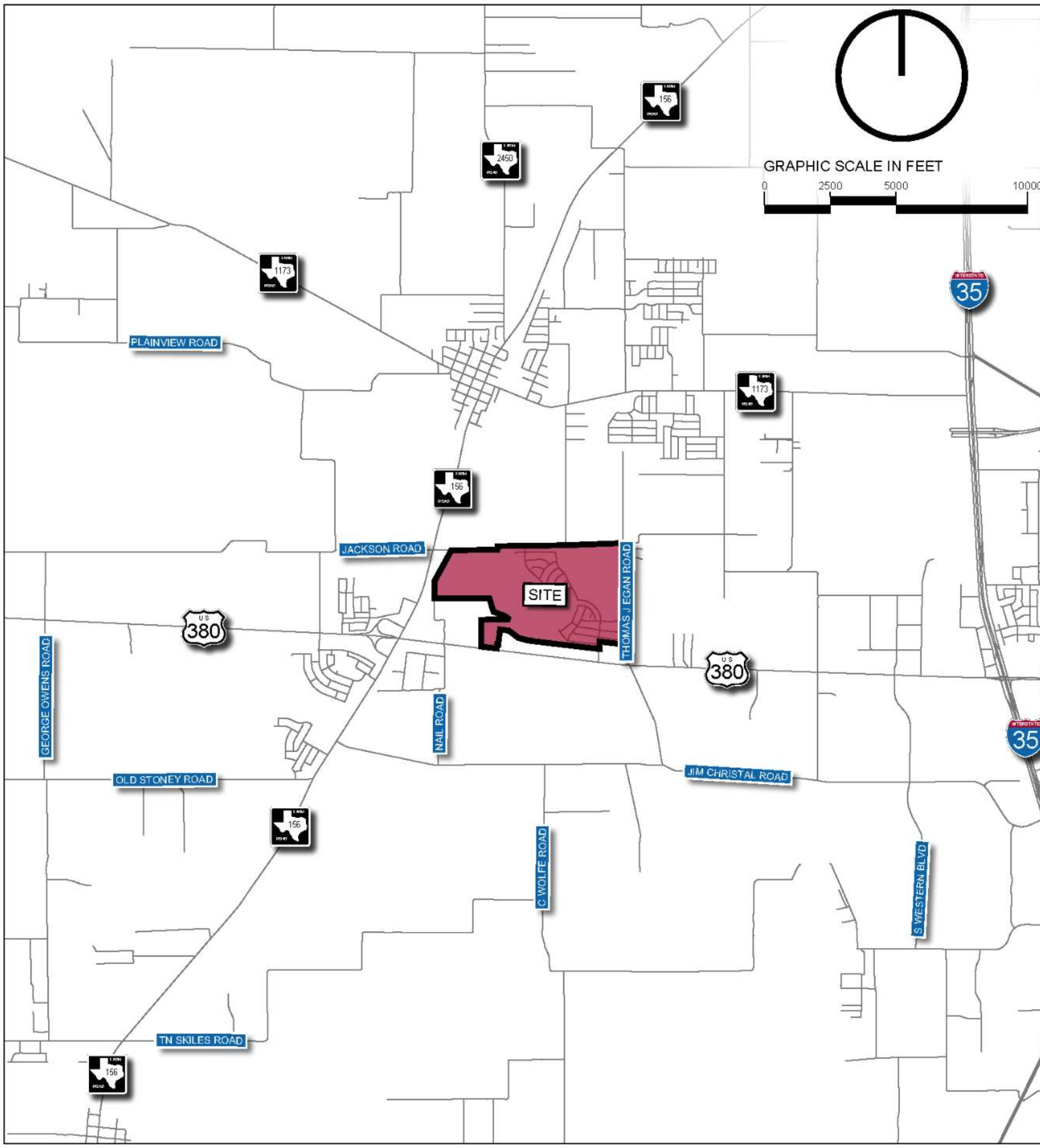
D.R. Horton, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the Securities and Exchange Commission (the "SEC"). Such filings, particularly, D.R. Horton, Inc.'s most recent Annual Report on Form 10-K and D.R. Horton, Inc.'s most recent Quarterly Report on Form 10-Q set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including the Developer, as of their respective dates. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements by reference herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or 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 and D.R. Horton, Inc. is subject to change at any time.

The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is www.sec.gov. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of D.R. Horton, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.'s website at www.drhorton.com.

The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites. None of the Developer or D.R. Horton, Inc. is obligated to advance funds to pay for development or construction costs or to pay taxes on property in the District, and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the Bonds.

REGIONAL LOCATION OF DISTRICT



ATTACHMENT VI(a) - LOCATION MAP

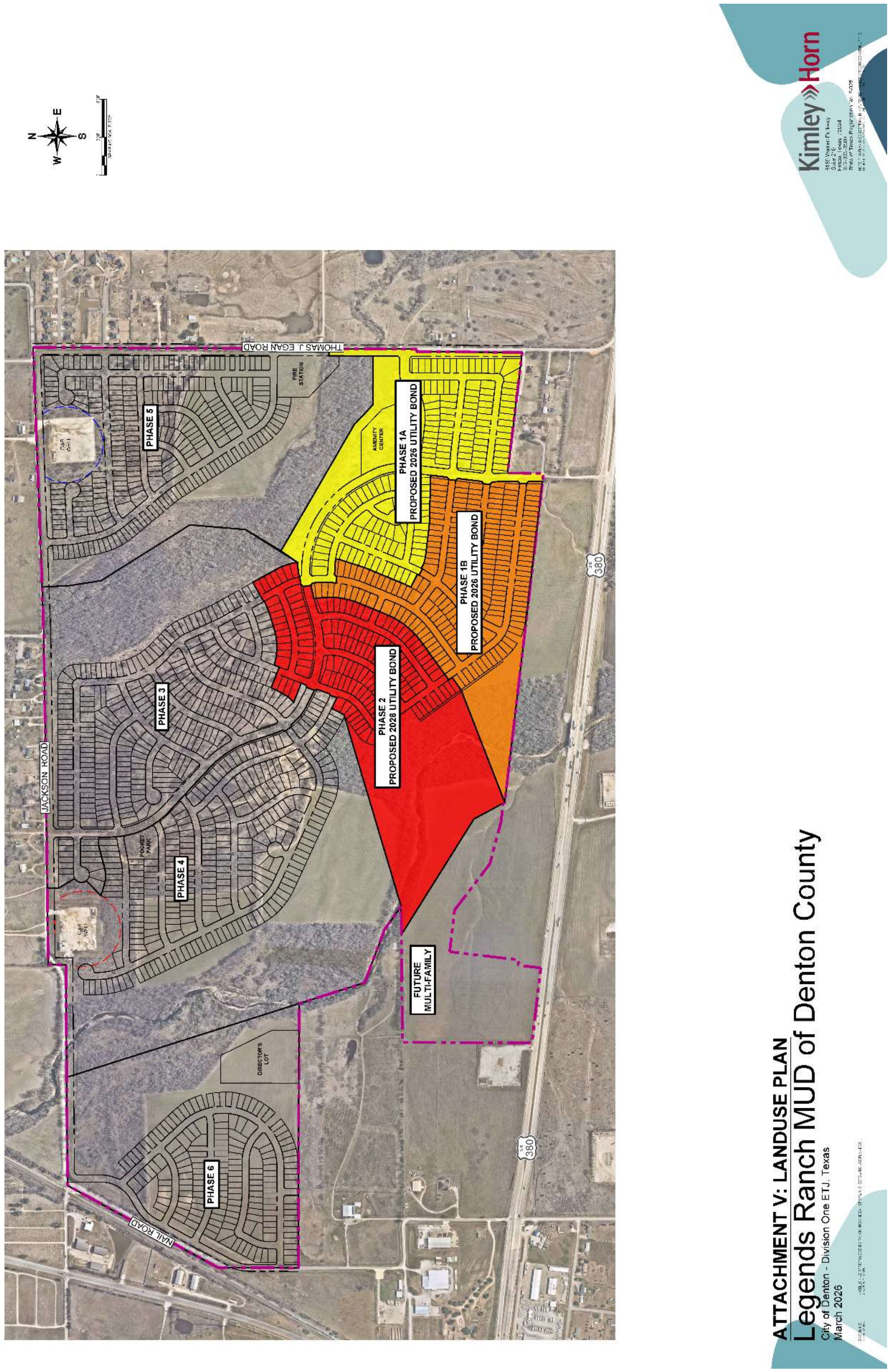
SCALE: 1" = 5000'

Legends Ranch MUD of Denton County

City of Denton - Division One ETJ, Texas
March 2026

Kimley»Horn
6160 Warren Parkway, Suite 210
Frisco, TX 75034
972-335-3580
State of Texas Registration No. F-928

LAND USE PLAN FOR DISTRICT



DEVELOPMENT PROGRESS – HICKORY GROVE

DEVELOPMENT PROGRESS – HICKORY GROVE (CONTINUED)

DEVELOPMENT PROGRESS – HICKORY GROVE (CONTINUED)

DEVELOPMENT OF THE DISTRICT

General

The District consists of approximately 521.03 acres located approximately 39 miles northwest of downtown Dallas, Texas, with Denton County, Texas and within the City of Denton, Texas, Division One extra-territorial jurisdiction. The property within the District is being developed into a single-family residential development known as "Hickory Grove." At full buildout, Hickory Grove is expected to be developed with 1,518 single-family homes across approximately 267.26 acres, with the remainder of the Hickory Grove development expected to consist of an approximately 3.84 acre amenity center for the development and approximately 230.59 acres of undevelopable land (including roads, water and wastewater facilities, detention ponds, permanent floodplain, and parks and permanent open space). The District also includes an approximately 19.34 acre parcel expected to be developed with a multi-family development outside of the Hickory Grove project. The parcel expected to be developed with a multi-family development is currently owned by Double R (as defined below) and expected to be sold to an affiliate of the Developer for development.

The Hickory Grove development is expected to be developed in seven different "Phases" and as of June 1, 2026, the Developer was actively constructing homes in Phase 1B within the District. As of June 1, 2026, the Developer had completed construction of 264 homes (238 of which had been conveyed to individual homeowners and 26 of which were owned by the Developer), and the Developer owned 79 lots with homes under construction and 42 finished lots. Homes in the District currently range in price from approximately $239,990 to approximately $371,280 and in size from approximately 1,280 square feet to 2,091 square feet. The Developer has conveyed all 146 of the completed homes within Phase 1A to individual homeowners and currently expects to complete home construction within Phase 1B by October 2026. See the caption "—Status of Development Within the District."

As of June 1, 2026, all of the infrastructure needed to complete development and home construction within Phases 1A, 1B and 2 of Hickory Grove had been completed and the lots within Phase 2 had been mass graded and were currently under development, but home construction had not yet begun. As of June 1, 2026, Phase 3 had been mass graded and the construction of the utilities was expected to begin in September 2026. The Developer currently expects to begin the construction of homes within Phase 2 of Hickory Grove by October 2026, and to complete the construction of homes within Phase 2 by October 2027. The Developer currently expects to complete the remaining infrastructure required to develop Phase 3 in August 2027, Phase 4 in August 2029, Phase 5 in June 2031 and Phase 6 in April 2033.

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

Acquisition of Property Within the District

General. The Developer is acquiring the property within the District over time as lots are developed. In April 2023, the Developer assigned its contractual rights to purchase the property within the District to Double R Land Company LLC ("Double R"). Double R then purchased the land from a third-party land seller for approximately $23.3 million, as provided in the terms of the assigned contract. The Developer simultaneously entered into a contract with Double R whereby the Developer has the right to purchase the property from Double R over time for $23.3 million plus a fee of approximately 14.81% annually on the remaining purchase price of the land. The Developer has the right to buy the land in installments or phases over a six year period.

In September 2023, the Developer assigned its contractual right to purchase the property within Phases 1A, 1B and 2 of the District to Forestar (USA) Real Estate Group Inc. ("Forestar"). Forestar purchased the property within Phases 1A, 1B and 2 from Double R, and the Developer and Forestar entered into a purchase contract with Forestar for the Developer to purchase the property in installments over time. Forestar developed the property within Phases 1A, 1B and 2 into finished residential lots and the Developer has been acquiring the finished lots in installments beginning in December 2024. As of June 1, 2026, the Developer had acquired all of the lots within Phases 1A and 1B and currently expects to acquire the remaining lots within Phase 2 in two installments by November 2026.

In April 2025, the Developer assigned its contractual right to purchase the property within Phase 3 of the District to Forestar and Forestar purchased the property within Phase 3 from Double R and paid Double R the contract price. The 14.81% accrual fee of approximately $1.8 million was paid by the Developer to Double R at the assignment effective in April 2025. Forestar will develop the land into residential lots for future purchase by the Developer. The Developer currently expects to purchase the first 60 lots within Phase 2 from Forestar in July 2027, and to purchase approximately 60 lots per quarter thereafter.

The Developer's contract with Double R to acquire all of the property within the District currently states that all of the property must by acquired by the end of 2029. The Developer currently expects to enter into similar agreements with Forestar for each of Phases 4, 5 and 6 of Hickory Grove, and currently expects that Forestar will acquire Phase 4 from Double R in September 2027, Phase 5 in October 2028 and Phase 6 in December 2029. The Developer currently estimates that it will begin purchasing finished lots in installments approximately 12-15 months after Forestar acquires each phase from Double R.

The following table shows the status of the takedown of lots by the Developer from Forestar as of June 1, 2026:

Phase	***Acreage***	***Lots***	***Lots Acquired by Developer***	***First Takedown Date***(1)
Phase 1A	48.460	146	146	12/31/2024
Phase 1B	45.403	213	213	6/26/2025
Phase 2	52.638	141	26	5/14/2026
Phase 3	86.989	294	0	7/15/2027(1)
Phase 4	114.043	271	0	12/15/2028(1)
Phase 5	87.645	278	0	3/15/2030(1)
Phase 6	66.521	175	0	7/15/2031(1)
Totals	501.699	1,518	385	

(1) Expected, subject to change.

Forestar. Forestar is a wholly-owned subsidiary of Forestar Group, Inc. a Delaware corporation ("Forestar Group') and a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker "FOR." Forestar Group is a majority owned subsidiary of D.R. Horton, Inc. which is in the business of land and lot development.

Double R. Double R is controlled by Ryan Horton and Reagan Horton, who are the adult sons of the late Donald R. Horton, the previous Chairman of D.R. Horton, Inc. D.R. Horton, Inc. has a strategic relationship with Ryan Horton and Reagan Horton and entities controlled by them (including Double R), pursuant to which such entities serve as a land seller and land banker to D.R. Horton, Inc. and its subsidiaries.

Status of Development Within the District

The following table shows the status of construction of the single family homes within the District as of June 1, 2026:

Phase	*Acreage*[1]	*Lots*	*Completed Homes (Homeowners)*	*Completed Homes (Developer)*	*Homes Under Construction*	*Finished Lots*	*Undeveloped Lots*
Phase 1A	48.460	146	146	0	0	0	0
Phase 1B	45.403	213	92	26	79	16	0
Phase 2	52.638	141	0	0	0	141	0
Phase 3	86.989	294	0	0	0	0	294
Phase 4	114.043	271	0	0	0	0	271
Phase 5	87.645	278	0	0	0	0	278
Phase 6	66.521	175	0	0	0	0	175
Totals	501.699	1,518	238	26	79	157	1,018

(1) Acreage includes interior roads and certain other undevelopable acreage.

Financing Plan

Through June 1, 2026, the Developer had spent approximately $102.4 million in site acquisition and development costs, permits and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) related to its development within the District. The Developer expects to spend approximately $262.8 million in additional site development costs, permit and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of corporate overhead and other carry costs) between June 1, 2026, and full build-out of its homes proposed to be constructed in the District.

To date, the Developer has financed its land acquisition, site development and home construction costs related to its property within the District through internally generated funds. The Developer expects to use internal funding (which may include home sales revenues from its project within the District) to complete its development activities within the District. However, home sales revenues from the Developer's activities in the District are not segregated and set aside for completing the homes in the District. Notwithstanding the foregoing, the Developer believes that it will have sufficient funds to complete its construction and sale of homes in the District.

Notwithstanding the current belief of the Developer that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to the Developer will be sufficient to complete the property development and home construction as currently anticipated. Neither the Developer nor any of its related entities are under any legal obligation of any kind to expend funds for the development and construction of homes on its property in the District, or the payment of property taxes for property within the District. Any contributions by the Developer to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues are inadequate to pay the costs to complete the planned development by the Developer within the District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the planned development by the Developer or to pay property taxes related to the Developer's property in the District, and the remaining portions of the Developer's project in the District may not be completed. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections. See "RISK FACTORS" herein for a discussion of risk factors.

Development Agreement

In 2022, in connection with the original formation of the District, the previous owner of the property entered into a development agreement with the City with respect to the property within the District, which was then assigned to the Developer and Forestar in 2023 pursuant to an Assignment and Assumption of Development Agreement, for the purposes, among other things, of coordinating the development of the property within the District and providing for the provisions of water and wastewater services to the property within the District. In August 2024, the Developer, Forestar and the City entered into an Amended and Restated Development Agreement (the "Development Agreement") with respect to the property within the District and the Hickory Grove development.

In the Development Agreement, the City consented to the creation of the District, as well as the exclusion and annexation of certain property within the District. The Development Agreement provides that the City will be the exclusive retail provider of water and wastewater service to customers located within the District for up to 2,300 living unit equivalent connections at the same rates charged to other customers of the City. The Development Agreement generally requires the Developer to construct all of the onsite water and wastewater improvements required to connect the property within the District to connect to the City's water and wastewater systems, including the payment of the City's standard water and wastewater impact fees, as well as the offsite water and wastewater improvements described below under the caption "THE UTILITY SYSTEM—Description of the Utility System." The Development Agreement also requires the construction of the internal roadways of the District described below under the caption "THE ROAD SYSTEM" as well as the dedication to the City of the required rights-of-way for such roads.

The Development Agreement provides for the payment by the Developer of a fee of $550 per single-family residential building to the City at the time of building permit issuance, as well as a fee of $250 for each separate residential unit within any such building, as well as certain development standards for the Hickory Grove development. In particular, the Development Agreement provides that no more than 35% of the single-family residential homes may be on lots that are between 40-44 feet wide, no more than 35% of the single-family residential homes may be built on lots that are between 45-49 feet wide and the remaining 30% of the single-family residential homes may be built on lots that are 50 feet or wider, as well as certain minimum setback requirements, minimum structure sizes and maximum lot coverage.

Other requirements of the Development Agreement include the requirement to dedicate approximately 2.5 acres located in the southwest corner of the District to the City for the construction of a future fire station at such time that the call volume and response times are determined to be outside industry standards, as well as the dedication of certain parks, trails and public access areas within the floodplain to the City.

Assignment of District Bond Proceeds

The Developer currently expects that it will assign their rights to be reimbursed from the proceeds of future bonds (not including the Bonds) issued by the District to the trustee for bonds expected to be issued by the National Finance Authority (the "NFA Bonds") on behalf of the owners of the NFA Bonds. The NFA Bonds, if issued, are expected to be payable from the proceeds of future bonds issued by the District when, and if, issued. If the NFA Bonds are issued, a limited offering memorandum for the NFA Bonds is expected to be prepared and may be found on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system; however, the District will not be obligated in any way with respect to the NFA Bonds and is not expected to participate in the preparation of the Limited Offering Memorandum for the NFA Bonds and the District makes no representation as to the accuracy or completeness of the information therein.

THE ROAD SYSTEM

Construction of the District's Road System is subject to regulations by the City and Denton County, Texas. The roads in the District are constructed with either reinforced concrete pavement with curbs on lime stabilized subgrade or asphalt on lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes, or will include, streetlights and franchise utilities (power, phone and cable). Public utilities such as water, wastewater and storm drainage are typically located within street rights-of-way. The Road System will be constructed by the Developer and dedicated to and maintained by the District and consists, or will consist upon completion, of certain internal roadways within the District, including but no limited to the Internal Collector Roadway and Residential Roadways, as required by the Development Agreement. As of June 1, 2026, the internal roads expected to be a part of the Road System for Phases 1A, 1B and 2 of the District had been completed.

THE UTILITY SYSTEM

Regulation

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

Description of the Utility System

Water Service. Retail water service for the District is provided by the City pursuant to the Development Agreement. As the holder of the Certificate of Convenience and Necessity ("CCN)" for water, the City (CCN# 10195) has agreed in the Development Agreement to provide retail water service for up to 2,300 living unit equivalent connections within the District. In order to connect to the City's system, the Developer was required to construct the following offsite waterline improvements: a waterline connecting to the existing 12" inch waterline in Jackson Road at the northeast corner of the District; a connection to an existing 16" waterline in the northwest pressure plane of City of Denton's system located within Masch Branch Road (including a pressure reduction valve); and a connection to an existing 12" waterline north of US 380 and west of Masch Branch Road. These improvements have been completed and, as described under "THE BONDS—Use and Distribution of Utility Bond Proceeds," a portion of the proceeds of the Bonds is expected to be used to reimburse the Developer for the costs of such improvements.

Wastewater Treatment. Wastewater treatment for the District is also provided by the City pursuant to the Development Agreement. As the holder of the CCN for wastewater, the City (CCN# 20072) has agreed in the Development Agreement to provide retail wastewater service for up to 2,300 living unit equivalent connections within the District. In order to access the City's wastewater collection system, the Developer was required to construct an offsite sanitary sewer system to connect to the existing 18" sewer line located east of Thomas Egan and Legends Way. These improvements have been completed and, as described under "THE BONDS—Use and Distribution of Utility Bond Proceeds," a portion of the proceeds of the Bonds is expected to be used to reimburse the Developer for the costs of such improvements.

Drainage. The property within the District naturally drains into North Hickory and Dry Fork Creek. The road/drainage system serving the District consists of a curb and gutter street system to collector lines provided by the District. The storm water collection system will be designed to convey the 100-year storm, within a pipe system to existing drainage courses. The storm drainage system will outfall into North Hickory Creek and Dry Fork Creek. As described under "THE BONDS—Use and Distribution of Utility Bond Proceeds," a portion of the proceeds of the Bonds is expected to be used to reimburse the Developer for costs of certain storm water drainage facilities.

100-Year Flood Plain. Five lots in Phase 1B and 16 lots in Phase 2 are currently located within the effective floodplain. A Conditional Letter of Map Revision ("CLOMR") to remove these lots from the floodplain has been approved by FEMA . The earthwork by the CLOMR has been completed for these lots and a final Letter of Map Revision ("LOMR") was submitted to FEMA for final approval in May 2025. The LOMR approval is currently pending.

Historical Operations of the System

The following is a summary of the District's general operating fund for the years ended August 31, 2023, through August 31, 2026. The figures below were obtained from the District's audited financial statements for the fiscal years ending August 31, 2024, and August 31, 2025, and the District's approved budget for the fiscal year ended August 31, 2026. See Appendix A. The District is required by statute to have a certified public accountant audit its financial statements, which statements are then required to be filed with the TCEQ.

	Fiscal Year Ended August 31, 2026[a][b]	***Fiscal Year Ended August 31, 2025[c]***	***Fiscal Year Ended August 31, 2024[c]***	***Fiscal Year Ended August 31, 2023[a]***
Revenues:				
Property Taxes	$ 200,860	$ 64,165	--	--
Total Revenues	$ 200,860	$ 64,165	--	--
Expenditures:				
Operating and Administrative				
Professional Fees	$ 113,500	85,522	$ 59,211	$ 1,179
Contracted Services	7,230	5,963	3,095	2,801
Administrative	23,530	16,498	11,679	5,630
Other	250	85	60	360
Total Expenditures	$ 144,510	$ 108,068	$ 74,045	$ 9,970
Revenues Over (Under) Expenditures	$ 56,350	$ (43,903)	$ (74,045)	$ (9,970)
Other Financing Sources				
Developer Advances	--	$ 66,000	$ 56,000	$ 12,500
Net Change in fund balances	$ 56,350	$ 22,097	$ (18,045)	$ 2,530
Fund Balance, Beginning of Year	$ 6,657	$ (15,440)	$ 2,605	$ 75
Fund Balance, End of Year	$ 63,007	$ 6,657	$ (15,440)	$ 2,605

(a) Unaudited. Information provided by the District's bookkeeper.
(b) Unaudited. From the District's approved budget for the Fiscal Year ending August 31, 2026.
(c) From the District's Audited Financial Statements.

DISTRICT DEBT

Combined Debt Service Requirement Schedule

The following schedule sets forth the debt service on the Bonds.

Year Ending August 31	*Principal*	*Interest*	*Total*	*Total Debt Service*
2027	--	$ 309,904	$ 309,904	$ 309,904
2028	--	584,113	584,113	584,113
2029	--	584,113	584,113	584,113
2030	$ 285,000	574,672	859,672	859,672
2031	300,000	555,294	855,294	855,294
2032	315,000	534,922	849,922	849,922
2033	330,000	513,556	843,556	843,556
2034	350,000	491,031	841,031	841,031
2035	365,000	467,347	832,347	832,347
2036	390,000	444,850	834,850	834,850
2037	405,000	426,091	831,091	831,091
2038	430,000	408,869	838,869	838,869
2039	450,000	390,719	840,719	840,719
2040	475,000	371,641	846,641	846,641
2041	500,000	351,531	851,531	851,531
2042	525,000	330,063	855,063	855,063
2043	550,000	307,219	857,219	857,219
2044	580,000	282,844	862,844	862,844
2045	610,000	256,813	866,813	866,813
2046	645,000	228,956	873,956	873,956
2047	680,000	199,144	879,144	879,144
2048	715,000	167,309	882,309	882,309
2049	750,000	133,431	883,431	883,431
2050	795,000	97,703	892,703	892,703
2051	835,000	60,009	895,009	895,009
2052	880,000	20,350	900,350	900,350
Total	$12,160,000	$ 9,092,492	$ 21,252,492	$21,252,492

Average Annual Debt Service Requirements on the Bonds (2027-2052) .... $ 817,404

Maximum Annual Debt Service Requirements on the Bonds (2052).................................. $ 900,350

Utility System Debt Service Requirement Schedule

The following schedule sets forth the debt service on the Utility Bonds.

Year Ending August 31	*Principal*	*Interest*	*Total*	*Total Debt Service*
2027	--	$ 202,477	$ 202,477	$ 202,477
2028	--	381,631	381,631	381,631
2029	--	381,631	381,631	381,631
2030	$ 185,000	375,503	560,503	560,503
2031	195,000	362,916	557,916	557,916
2032	205,000	349,666	554,666	554,666
2033	215,000	335,753	550,753	550,753
2034	230,000	321,013	551,013	551,013
2035	240,000	305,444	545,444	545,444
2036	255,000	290,800	545,800	545,800
2037	265,000	278,641	543,641	543,641
2038	280,000	267,400	547,400	547,400
2039	295,000	255,541	550,541	550,541
2040	310,000	243,063	553,063	553,063
2041	325,000	229,966	554,966	554,966
2042	345,000	215,931	560,931	560,931
2043	360,000	200,950	560,950	560,950
2044	380,000	184,988	564,988	564,988
2045	400,000	167,925	567,925	567,925
2046	420,000	149,725	569,725	569,725
2047	445,000	130,263	575,263	575,263
2048	470,000	109,381	579,381	579,381
2049	490,000	87,181	577,181	577,181
2050	520,000	63,825	583,825	583,825
2051	545,000	39,197	584,197	584,197
2052	575,000	13,297	588,297	588,297
Total	$ 7,950,000	$ 5,944,105	$ 13,894,105	$ 13,894,105

Average Annual Debt Service Requirements on the Utility Bonds (2027-2052) .... $ 534,389

Maximum Annual Debt Service Requirements on the Utility Bonds (2052) .... $ 588,297

Road System Debt Service Requirement Schedule

The following schedule sets forth the debt service on the Road Bond.

Year Ending August 31	*Principal*	*Interest*	*Total*	*Total Debt Service*
2027	--	$ 107,428	$ 107,428	$ 107,428
2028	--	202,481	202,481	202,481
2029	--	202,481	202,481	202,481
2030	$ 100,000	199,169	299,169	299,169
2031	105,000	192,378	297,378	297,378
2032	110,000	185,256	295,256	295,256
2033	115,000	177,803	292,803	292,803
2034	120,000	170,019	290,019	290,019
2035	125,000	161,903	286,903	286,903
2036	135,000	154,050	289,050	289,050
2037	140,000	147,450	287,450	287,450
2038	150,000	141,469	291,469	291,469
2039	155,000	135,178	290,178	290,178
2040	165,000	128,578	293,578	293,578
2041	175,000	121,566	296,566	296,566
2042	180,000	114,131	294,131	294,131
2043	190,000	106,269	296,269	296,269
2044	200,000	97,856	297,856	297,856
2045	210,000	88,888	298,888	298,888
2046	225,000	79,231	304,231	304,231
2047	235,000	68,881	303,881	303,881
2048	245,000	57,928	302,928	302,928
2049	260,000	46,250	306,250	306,250
2050	275,000	33,878	308,878	308,878
2051	290,000	20,813	310,813	310,813
2052	305,000	7,053	312,053	312,053
Total	$ 4,210,000	$ 3,148,387	$ 7,358,387	$ 7,358,387

Average Annual Debt Service Requirements on the Road Bonds (2027-2052).................. $ 283,015

Maximum Annual Debt Service Requirements on the Road Bonds (2052)........................ $ 312,053

Bonded Indebtedness

2025 Certified Taxable Assessed Valuation	$ 17,079,997 [a]
Estimated Assessed Valuation as of December 1, 2025	$ 79,950,150 [b]
Preliminary 2026 Assessed Valuation as of January 1, 2026	$ 123,298,425 [c]
Direct Debt:	
The Utility Bonds	7,950,000
The Road Bonds	4,210,000
Total	$ 12,160,000
Estimated Overlapping Debt	$ 1,647,848 [d]
Total Direct and Estimated Overlapping Debt	$ 13,807,848
Direct Debt Ratio:	
As a percentage of 2025 Certified Taxable Assessed Valuation	71.19%
As a percentage of Estimated Assessed Valuation as of December 1, 2025	15.21%
As a percentage of Preliminary 2026 Assessed Valuation as of January 1, 2026	9.86%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2025 Certified Taxable Assessed Valuation	80.84%
As a percentage of Estimated Assessed Valuation as of December 1, 2025	17.27%
As a percentage of Preliminary 2026 Assessed Valuation as of January 1, 2026	11.20%
District Funds	
Operating Fund (as of June 17, 2026)	$ 109,453
2025 Tax Rate per $100 of Taxable Assessed Valuation:	
Utility Debt Service	--
Road Debt Service	--
Maintenance & Operation	$ 1.200
Total	$ 1.200

[a] Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Denton Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

[b] Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2025 and includes an estimate of additional value resulting from the construction of taxable improvements from January 1, 2025 to December 1, 2025. No taxes will be levied on this estimated assessed value. See "TAX DATA" and "TAXING PROCEDURES."

[c] Represents the preliminary assessed valuation of all taxable property in the District as of January 1, 2026, provided by the Appraisal District. Values are uncertified until the Appraisal District certifies rolls in late July. Includes the total preliminary taxable value of $117,911,771 provided by the Appraisal District, as well as 50% of the amount of $10,773,307 which has been marked as "under review" by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

[d] See "DISTRICT DEBT — Direct and Estimated Overlapping Debt Statement."

Direct and Estimated Overlapping Debt Statement

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

		Overlapping	
Taxing Jurisdiction	***Outstanding Debt 7/1/2026 [b]***	***Percent***	***Amount***
Denton County	$ 748,685,000	0.008%	$ 61,671
Krum Independent School District	217,363,000	0.730%	1,586,177
Total Estimated Overlapping Debt			$ 1,647,848
The District[a]			$ 12,160,000
Total Direct and Estimated Overlapping Debt			$ 13,807,848

[a] Represents the Bonds.
[b] Source: Texas MAC

Debt Ratios

Direct Debt Ratios:	
As a percentage of 2025 Certified Taxable Assessed Valuation	71.19%
As a percentage of Estimated Assessed Valuation as of December 1, 2025	15.21%
As a percentage of Preliminary 2026 Assessed Valuation as of January 1, 2026	9.86%
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2025 Certified Taxable Assessed Valuation	80.84%
As a percentage of Estimated Assessed Valuation as of December 1, 2025	17.27%
As a percentage of Preliminary 2026 Assessed Valuation as of January 1, 2026	11.20%

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Orders, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS — Source of Payment." The Board is also authorized to levy a separate annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Road Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. In the Road Bond Order, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS — Source of Payment."

Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See "TAX DATA — Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district of county. The Denton Central Appraisal District has the responsibility for appraising property in the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board. Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of said appraisal review boards by filing a petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Denton Central Appraisal District, and approved by the Denton County Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and rate.

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

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

Property Subject to Taxation by the District

General. Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District has not adopted disabled persons or over 65 years of age exemptions. 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 between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads but not less than $5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has not adopted a homestead exemption. See "TAX DATA."

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

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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, none of the area within the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 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 permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three 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.

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

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

Tax Payment Installments after Disaster

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The 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 January 31, 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 twenty percent (20%) 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 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) 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.

Rollback of Operation and Maintenance Tax Rate

General. Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified 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 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units. Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead 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 tax year on a residence homestead appraised at the average appraised value of a resident 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 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 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 tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

The District. The District determined for the 2025 and 2026 tax years that the District was a Developing District. A determination as to the District's status as a "Special Taxing Unit", a Developed District or a Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On July 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. 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 years for residential and agricultural property and six 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.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Utility Bonds and Outstanding Utility Bonds. All taxable property within the District is also subject to the assessment, levy, and collection by the District of a separate continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Road Bonds and Outstanding Road Bonds. See "TAXING PROCEDURES." The Board has in its Bond Orders covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "RISK FACTORS."

For the 2025 tax year, the District levied a total tax rate of $1.20 per $100 taxable assessed valuation for maintenance and operations. Upon closing and delivery of the Bonds, 24 months of capitalized interest on the Utility Bonds will be deposited into the District's Utility Bond Debt Service Fund and 24 months of capitalized interest on the Road Bonds will be deposited into the District's Road Bond Debt Service Fund. See "THE BONDS — Source of Payment." The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for payment of debt service on bonds issued for the Road System and bonds issued for the Utility System.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount)
Road System Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	$1.20 per $100 taxable assessed valuation

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.20 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which have been issued or may be issued in the future. See "—Tax Rate Distribution" below.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2025 certified taxable assessed valuation as of January 1, 2025 ($17,079,997), the estimated assessed value as of December 1, 2025 ($79,950,150) or the preliminary 2026 assessed value as of January 1, 2026 ($123,298,425). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Combined Average Annual Debt Service Requirements on the Bonds (2027-2052).................	$817,404
Tax Rate of $5.04 on the 2025 Certified Taxable Assessed Valuation.......................................	$817,404
Tax Rate of $1.08 on the Estimated Assessed Valuation as of December 1, 2025......................	$817,404
Tax Rate of $0.70 on the Preliminary 2026 Assessed Valuation as of January 1, 2026.............	$817,404
Combined Maximum Annual Debt Service Requirements on the Road (2052)..........................	$900,350
Tax Rate of $5.55 on the 2025 Certified Taxable Assessed Valuation	$900,350
Tax Rate of $1.19 on the Estimated Assessed Valuation as of December 1, 2025......................	$900,350
Tax Rate of $0.77 on the Preliminary 2026 Assessed Valuation as of January 1, 2026.............	$900,350

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions.

In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT — Direct and Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative, or general revenue purposes.

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

Taxing Jurisdiction	***2025 Tax Rate***
Denton County	$ 0.185938
Krum Independent School District	1.195200
The District	1.200000
Total 2025 Tax Rate for the District	$ 2.581138

Historical Tax Collections

Tax Year	***Assessed Valuation***	***Tax Rate / $100***	***Adjusted Levy***	***% Collected Current Year***	***Current Year Ending 9/30***	***% Collected as of 4/30/2026***
2025[(a)]	$ 17,079,997	1.200	$ 204,960	100.00%	2026	100.00%
2024	5,341,656	1.200	64,100	100.00	2025	100.00

(a) Reflects collections through April 2026.

Tax Rate Distribution

	2025	*2024*
Debt Service	--	--
Maintenance & Operation	$ 1.2000	$ 1.2000
Total	$ 1.2000	$ 1.2000

Taxable Assessed Valuation Summary

The following table shows the type of property comprising the tax rolls for 2024 and 2025 as certified by the Appraisal District.

Type of Property	*2025 Assessed Valuation*	*2024 Assessed Valuation*
Land	$ 26,796,398	$ 14,742,570
Improvements	45,480	--
Personal Property	44,872	--
Productivity Loss	(9,408,831)	(9,400,914)
Exemptions	(397,922)	--
Total	$ 17,079,997	$ 5,341,656

Principal Taxpayers

The following table shows the top taxpayers within the District based on the 2025 tax roll as certified by the Appraisal District.

Taxpayer	*Type of Property*	*Assessed Valuation 2025 Tax Roll*	*Percent of District Value*
Forestar[(a)]	Land & Improvements	$ 6,500,474	38.06%
The Developer[(b)]	Land & Improvements	6,270,753	36.71
Homeowner	Land & Improvements	393,988	2.31
Homeowner	Land & Improvements	347,306	2.03
Homeowner	Land & Improvements	66,332	0.39
Homeowner	Land & Improvements	61,706	0.36
Homeowner	Land & Improvements	60,804	0.36
Homeowner	Land & Improvements	59,864	0.35
Homeowner	Land & Improvements	59,668	0.35
Homeowner	Land & Improvements	59,668	0.35
Total		$13,880,563	81.27%

(a) See "DEVELOPMENT OF THE DISTRICT."
(b) See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

RISK FACTORS

General

The Utility Bonds and the Road Bonds, which are obligations of the District and not of the State of Texas, the County, the City, or any political subdivision other than the District, will each be secured by a separate continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

Risks of Real Estate Secured Investments Generally. The owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors. No assurance can be given that the property owners within the District will make full and timely payments of taxes levied against their property by the District and similar taxing authorities in the future.

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry in the Dallas/Forth Worth, Texas area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA — Principal Taxpayers," for the 2025 tax year, Forestar and the Developer were the District's top taxpayers for the 2025 tax year and owned taxable property representing approximately 38.06% and 36.71%, respectively, of the District's total taxable assessed valuation. As of June 1, 2026, the Developer had sold and closed 238 homes to individual homeowners within the District, Forestar owned a portion of Phase 2 of the District and all of Phase 3 and Double R also owned Phases 4, 5 and 6 of the District, which consisted of undeveloped land as of such date. See "THE DEVELOPER AND PRINCIPAL LANDOWNER." In the event that the Developer, any other taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Orders to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA — Principal Taxpayers" and "TAXING PROCEDURES — Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Certified Taxable Assessed Valuation of all taxable property located within the District is $17,079,997, the Estimated Assessed Valuation as of December 1, 2025, is $79,950,150 and the District's Preliminary 2026 Assessed Valuation as of January 1, 2026, is $123,298,425. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds is $900,350 (2052), and the average annual debt service requirement the Bonds and the Outstanding Bonds is $817,404 (2027-2052). Assuming no decrease to the District's 2025 Certified Taxable Assessed Valuation, tax rates of $5.55 and $5.04 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, of the Bonds. Assuming no decrease from the District's Estimated Assessed Valuation as of December 1, 2025, tax rates of $1.19 and $1.08 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, of the Bonds. Assuming no decrease from the District's Preliminary 2026 Assessed Valuation as of January 1, 2026, tax rates of $0.77 and $0.70 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, of the Bonds.

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

For the 2025 tax year, the District levied a total tax rate of $1.20 per $100 taxable assessed valuation for maintenance and operations. Upon closing and delivery of the Bonds, 24 months of capitalized interest on the Utility Bonds will be deposited into the District's Utility Bond Debt Service Fund and 24 months of capitalized interest on the Road Bonds will be deposited into the District's Road Bond Debt Service Fund. See the caption "THE BONDS—Bond Debt Service Funds." The District is authorized to levy separate debt service taxes, both of which unlimited as to rate or amount, for road debt and utility debt. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Disasters, Climate Change, Cybersecurity Threats and Other Potential Events

Disasters. In the event of a fire, flood, hurricane, tropical storm, tornado, earthquake, natural disaster, act of terrorism or other cause severely damaging property or infrastructure within the District, there can be no assurance that such property or infrastructure will be rebuilt. In such case, completion of the development within the District or property values for existing property which has been developed could be adversely affected. There can be no assurance that insurance will be properly maintained with adequate coverage or that insurance proceeds will be sufficient or even available to repair or rebuild properties. The restoration of properties may be delayed by other factors, or the terms of then-applicable mortgage financing could require the application of insurance proceeds to the reduction of mortgage balances rather than the reconstruction or restoration of damaged facilities. Any of the foregoing circumstances could result in a delay in completion of the development of property within the District or have an adverse impact on property values within the District. Moreover, due to increases of the occurrence of natural disasters in the United States, certain insurance companies providing homeowners insurance have either increased policy premiums or discontinued offering homeowners insurance all together in some locations. Increases in homeowners insurance premiums or difficulty in obtaining homeowners insurance all together within the District could impact the Developer's ability to complete and sell homes within the District or affect property owners' ability and willingness to pay property taxes when due.

Climate Change. Numerous studies have described changing weather patterns and the potential for increasing extreme weather events. Property within the District may be vulnerable to flooding, including stormwater flooding, extreme fluctuations in weather temperature, tornadoes and other damaging winds and other severe weather conditions. The timing, extent or severity of climate change and its impact on the property within the District cannot be predicted.

Cybersecurity Threats. Increasingly, governmental entities (such as the District, the County and the State) and private businesses (such as the Developer, as well as contractors, consultants, and other parties critical to the successful development of a project) are targeted by cyberattacks seeking to obtain confidential data, disrupt critical services or seek funds or compensation (ransom) for release of data and systems. A rapidly changing cyber risk landscape may introduce new vulnerabilities that attackers and/or hackers can exploit in attempts to effect breaches or service disruptions. Employee error and/or malfeasance may also contribute to data loss or other system disruptions. Any such breach could compromise networks and the confidentiality, integrity and availability of systems and the information stored there. The potential disruption, access, modification, disclosure or destruction of data (whether to the District, the County, the State, the Developer, or any other parties) could result in delays in development or the application of taxes to the redemption or payment of the Bonds.

Competitive Nature of Residential Housing Market

The housing industry in the Dallas-Forth Worth, Texas area 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 respective competitive position of the Developer and any other developer or homebuilder which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Operating Funds

The District's only source of operating revenue is funds from the Developer, property taxes and increased maintenance tax revenue. The District does not collect water or wastewater revenues from its residents. Maintenance of positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidders for the Bonds (the "Initial Purchasers") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on November 5, 2024, voters of the District authorized the District's issuance of $230,267,389 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, owning, leasing or operating the Utility System; $345,401,084 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $197,334,900 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, operating or maintain the Road System; and $296,002,350 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Utility Bonds are the first series of bonds issued by the District for the Utility System and the Road Bonds are the first series of bonds issued for the Road System Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $222,317,389 principal amount for acquiring or constructing the Utility System; and $345,401,084 principal amount for the refunding of bonds issued by the District for the Utility System; $193,124,900 principal amount for acquiring or constructing the Road System; $296,002,350 principal amount for the refunding of bonds issued for the Road System.

The Bond Orders impose no limitation on the amount of additional parity bonds that may be issued by the District, if authorized by the District's voters and, in the case of bonds for the Utility System, approved by the TCEQ. The District's issuance of the remaining $222,317,389 principal amount of unlimited tax bonds for the Utility System shall be subject to prior approval by the TCEQ. The $193,124,900 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately $15.6 million of eligible expenses associated with construction of the Utility System facilities on behalf of the District and $13.7 million of eligible expenses for construction of the Road System facilities on behalf of the District based on the most recent information provided and estimations available to date, pursuant to a reimbursement agreement pursuant to which the District is generally required to reimburse the Developer for the costs of facilities constructed by the Developer on behalf of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act ("CAA") Amendments of 1990, the Dallas-Fort Worth area ("DFW Area")—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard").

The DFW Area is currently designated a "severe" nonattainment area for purposes of the 2008 Ozone Standard, with an attainment date of July 20, 2027. The "severe" nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels. The DFW Area is currently designated a "serious" nonattainment area for purposes of the 2015 Ozone Standard, following a voluntary reclassification from "moderate" to "serious" in 2024, 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 DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW 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 DFW Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the DFW Area's economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

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

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

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.

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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (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. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

Risks Associated with Bond Insurance

In the event that the District defaults in the payment of principal of or interest on the Bonds when due, the owners of the Bonds will have a claim under the Policies for such payments. See the caption "BOND INSURANCE." In the event that the Insurer becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event will not adversely affect the market for the Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Bonds when due under the Policies, the

Bonds will be payable solely from the moneys received pursuant to the Bond Orders, as described under the caption "THE BONDS."

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.

The long-term rating on the Bonds is 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. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Bonds. See the caption "RATINGS."

Neither the District nor the Initial Purchasers have made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the District or the Initial Purchasers in this Official Statement. Therefore, when making an investment decision with respect to the Bonds, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds when due, assuming that the Policies are not available for that purpose, and the claims-paying ability of the Insurer through final maturity of the Bonds.

So long as the Insurance Policies remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies for default under the Bond Orders. The Insurer is not required to obtain the consent of the Registered Owners of the Bonds with respect to the exercise of remedies.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchasers a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinions of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined transcripts of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinions of Coats Rose, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "TAX MATTERS" below. The legal opinions of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below. Set forth in Appendix B are the forms of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel. The fees being paid to Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

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

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "— Book-Entry-Only System," "— Use and Distribution of Utility Bond Proceeds" and "—Use and Distribution of Road 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.

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

On the date of delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code") for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. Set forth in Appendix B are the forms of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds.

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

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

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

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

Collateral Federal Income Tax Consequences

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, 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 Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "— Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Not Qualified Tax-Exempt Obligations

The District, pursuant to the Bond Orders, has NOT designated the Bonds "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (excluding the information contained under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and Appendix A. The District will update and provide this information within six months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided.

If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day in February 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 specified 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 within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation of the District, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Orders make 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 financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

No Prior Continuing Disclosure Undertakings

The District has not previously entered into a continuing disclosure undertaking pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District’s audited financial statements for the fiscal year ended August 31, 2025 were audited by McGrath & Co., PLLC (the “Auditor”). A copy of such audited financial statements is attached hereto as Appendix A. The Auditor has consented to the publication of such financial statements in this Official Statement.

Experts

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

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled “THE BONDS — Use and Distribution of Bond Proceeds,” “THE DISTRICT — Description,” “DEVELOPMENT OF THE DISTRICT — Status of Development within the District,” “THE ROAD SYSTEM,” and “THE UTILITY SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of 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 in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District’s obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Legends Ranch Municipal Utility District of Denton County as of the date shown on the cover page hereof.

/s/ Ryan Clark
President, Board of Directors
Legends Ranch Municipal Utility District of Denton County

ATTEST:

/s/ James Seidel
Secretary, Board of Directors
Legends Ranch Municipal Utility District of Denton County

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

LEGENDS RANCH MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY

DENTON COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2025

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McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Legends Ranch Municipal Utility District of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Legends Ranch Municipal Utility District of Denton County (the "District"), as of and for the year ended August 31, 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 General Fund of Legends Ranch Municipal Utility District of Denton County, as of August 31, 2025, and the respective changes in financial position thereof 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
December 17, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Legends Ranch Municipal Utility District of Denton County (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues*, *Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at August 31, 2025, was negative $7,928,223. The District's net position is negative because the District incurs debt to construct water and sanitary sewer facilities which it conveys to the City of Denton and relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of August 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 24,860	$ 3,981
Capital assets	11,128,370	
Total assets	11,153,230	3,981
Current liabilities	18,203	19,421
Long-term liabilities	19,063,250	621,500
Total liabilities	19,081,453	640,921
Net position		
Net investment in capital assets	(644,532)	
Unrestricted	(7,283,691)	(636,940)
Total net position	$ (7,928,223)	$ (636,940)

The total net position of the District decreased during the current fiscal year by $7,291,283. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes	$ 64,165	$ -
Expenses		
Operating and administrative	108,068	74,045
Fire service and capital fees		550,000
Depreciation	302,400	
Total expenses	410,468	624,045
Change in net position before other items	(346,303)	(624,045)
Other items		
Transfers to other governments	(6,944,980)	
Change in net position	(7,291,283)	(624,045)
Net position, beginning of year	(636,940)	(12,895)
Net position, end of year	$ (7,928,223)	$ (636,940)

Financial Analysis of the District's General Fund

The District's fund balance in the General Fund, as of August 31, 2025, was $6,657. A comparative summary of the General Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 24,860	$ 3,981
Total liabilities	$ 18,203	$ 19,421
Total fund balance	6,657	(15,440)
Total liabilities and fund balance	$ 24,860	$ 3,981

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	$ 64,165	$ -
Total expenditures	(108,068)	(74,045)
Revenues under expenditures	(43,903)	(74,045)
Other changes in fund balance	66,000	56,000
Net change in fund balance	$ 22,097	$ (18,045)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. During the current fiscal year. the District levied it's first maintenance and operations tax.
- The developer in the District advance funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $22,097 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at August 31, 2025, are summarized as follows:

Capital assets not being depreciated	
Land and improvements	$ 1,480,496
Capital assets being depreciated	
Drainage facilities	2,634,865
Road facilities	7,315,409
	9,950,274
Less accumulated depreciation	
Drainage facilities	(58,553)
Road facilities	(243,847)
	(302,400)
Depreciable capital assets, net	9,647,874
Capital assets, net	$ 11,128,370

The District did not have any capital assets to report as of August 31, 2024.

Capital asset additions during the current fiscal year include the following:

- Hickory Grove Phase 1A – drainage facilities
- Hickory Grove Phase 1A – paving
- Hickory Grove Phase 1B – paving
- Hickory Grove Phase 1A and 1B – clearing and grading

Additionally, water and sanitary sewer facilities constructed by the District are conveyed to the City of Denton. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended August 31, 2025, capital assets in the amount of $6,944,980 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of August 31, 2025, the District owes approximately $19,063,250 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of $20,180,000 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At August 31, 2025, the District had $230,267,389 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $345,401,084 for refunding such bonds; $197,334,900 for road improvements and $296,002,350 for refunding such bonds.

Property Taxes

The District's property tax base increased approximately $11,786,000 for the 2025 tax year from $5,293,929 to $17,079,997. This increase was primarily due to new construction in the District. For the 2025 tax year, the District has levied a maintenance tax rate of $1.20 per $100 of assessed value, all of which was allocated to maintenance and operations. This is the same rate levied for the 2024 tax year.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	$ 64,165	$ 200,860
Total expenditures	(108,068)	(144,510)
Revenues over/(under) expenditures	(43,903)	56,350
Other changes in fund balance	66,000	
Net change in fund balance	22,097	56,350
Beginning fund balance	(15,440)	6,657
Ending fund balance	$ 6,657	$ 63,007

Basic Financial Statements

Legends Ranch Municipal Utility District of Denton County
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	$ 24,860	$ -	$ 24,860
Capital assets not being depreciated		1,480,496	1,480,496
Capital assets, net		9,647,874	9,647,874
Total Assets	$ 24,860	11,128,370	11,153,230
Liabilities			
Accounts payable	$ 18,068		18,068
Other payables	135		135
Due to developer		19,063,250	19,063,250
Total Liabilities	18,203	19,063,250	19,081,453
Fund Balances/Net Position			
Fund Balances			
Unassigned	6,657	(6,657)	
Total Liabilities and Fund Balances	$ 24,860		
Net Position			
Net investment in capital assets		(644,532)	(644,532)
Unrestricted		(7,283,691)	(7,283,691)
Total Net Position		$ (7,928,223)	$ (7,928,223)

See notes to basic financial statements.

Legends Ranch Municipal Utility District of Denton County
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2025

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 64,165	$ -	$ 64,165
Expenditures/Expenses			
Operating and administrative			
Professional fees	85,522		85,522
Contracted services	5,963		5,963
Administrative	16,498		16,498
Other	85		85
Depreciation		302,400	302,400
Total Expenditures/Expenses	108,068	302,400	410,468
Revenues Under Expenditures/Expenses	(43,903)	(302,400)	(346,303)
Other Financing Sources			
Developer advances	66,000	(66,000)	
Other Items			
Transfers to other governments		(6,944,980)	(6,944,980)
Net Change in Fund Balances	22,097	(22,097)	
Change in Net Position		(7,291,283)	(7,291,283)
Fund Balance/Net Position			
Beginning of the year	(15,440)	(621,500)	(636,940)
End of the year	$ 6,657	$ (7,934,880)	$ (7,928,223)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Legends Ranch Municipal Utility District of Denton County (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated June 6, 2022, according to the terms and provisions of Article XVI, Section 59, of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 22, 2022.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage and road facilities. As further discussed in Note 9, the District transfers its water and sewer facilities to City of Denton for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of drainage and road facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Drainage facilities	45 years
Road facilities	30 years

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Denton and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 6,657
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 11,430,770	
Less accumulated depreciation	(302,400)	
		11,128,370
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of due to developer.		(19,063,250)
Total net position - governmental activities		$ (7,928,223)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 22,097
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Transfers to other governments	$ (6,944,980)	
Depreciation expense	(302,400)	
		(7,247,380)
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. The differences during the current fiscal year are for developer advances.		(66,000)
Change in net position of governmental activities		$ (7,291,283)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ -	$ 1,480,496	$ 1,480,496
Capital assets being depreciated			
Drainage facilities		2,634,865	2,634,865
Road facilities		7,315,409	7,315,409
		9,950,274	9,950,274
Less accumulated depreciation			
Drainage facilities		(58,553)	(58,553)
Road facilities		(243,847)	(243,847)
		(302,400)	(302,400)
Subtotal depreciable capital assets, net		9,647,874	9,647,874
Capital assets, net	$ -	$ 11,128,370	$ 11,128,370

Depreciation expense for the current fiscal year was $302,400.

Note 5 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developer will construct facilities on behalf of the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District's developer has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developer during the fiscal year are as follows:

Due to developer, beginning of year	$	621,500
Developer funded construction		18,375,750
Operating advances from developer		66,000
Due to developer, end of year	$	19,063,250

In addition, the District will owe the developer approximately $20,180,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

		Contract Amount*
Hickory Grove Phase 1B - utilities	$	6,850,000
Hickory Grove Phase 2 - clearing and grading		350,000
Hickory Grove Phase 2 - utilities		2,360,000
Hickory Grove Phase 2 - paving		1,670,000
Hickory Grove Phase 3 - clearing and grading		940,000
Hickory Grove Phase 3 - utilities		4,880,000
Hickory Grove Phase 3 - paving		3,130,000
	$	20,180,000

* Rounded to the nearest $10,000.

Note 6 – Long-Term Debt

At August 31, 2025, the District had $230,267,389 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $345,401,084 for refunding such bonds; $197,334,900 for road improvements and $296,002,350 for refunding such bonds.

Note 7 – Property Taxes

On November 8, 2022, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.20 per $100 of assessed value. On November 7, 2023, the voters of the District authorized the District's Board of Directors to levy a fire tax of $0.16 per $100 of assessed value, pursuant to its fire protection agreement with the City of Denton.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.20 per $100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was $63,527 on the adjusted taxable value of $5,293,929.

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Denton (the "City"), the District transfers all of its water and sanitary sewer facilities to the City (see Note 9). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended August 31, 2025, the District reported transfers to other governments in the amount of $6,944,980 for projects completed and transferred to the City.

Note 9 – Agreements with the City of Denton

Development Agreement

On July 18, 2022, the developer, on behalf of the District, entered into a development agreement with the City of Denton (the "City") for the creation and development of the District. Under the terms of the agreement, the District is responsible for construction and extension of water and sanitary sewer facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 30 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

Fire Service Agreement

On May 12, 2023, the District entered into a Fire Service Agreement with the City pursuant to which the City agrees to provide fire protection, emergency medical, first responder and rescue services ("Fire Protection Services") to the area within the District. The City has agreed to provide services to the residents and property owners within the District to the same extent and at the same level as is provided to the residents and property owners within the corporate limits of the City. The initial term of the agreement begins on the effective date of the agreement and continues for successive 5-year terms, unless terminated by the District or City upon no less than 2 years advance notice. The agreement extends to 30 years at such time as the City initiates design or construction of a fire station in the service area and continues for successive 5-year terms unless terminated by the District or City upon 2 years advance notice.

During the prior year, the developer, on behalf of the District paid a one-time fee of $300,000 to the City for fire service, as required under the agreement. The developer paid an additional $250,000 to the City to be held in escrow for the construction of a future fire station.

Additionally, in consideration of the City providing Fire Protection Services, the District is required to make the following payments.

- The District is required to levy and collect a fire tax in the amount of $0.16 per $100 of assessed valuation, which will be transferred to the City. As of August 31, 2025, the District has not levied a fire tax rate.
- At the issuance of each single-family residential building permit, the District is required to collect and pay a fire protection facilities capital fee in the amount of $550 for each developed lot.
- At the issuance of each multi-family residential building permit, the District is required to collect and pay a fire protection facilities capital fee in the amount of $250 for each separate residential unit within the building.
- After the effective date of the agreement, the District also is required to pay $550 per acre to the City for land annexed into the District.

Strategic Partnership Agreement

On October 22, 2024, the District and the City entered into a Strategic Partnership Agreement under which the City annexed land in the District for the limited purposes of collecting sales and use tax revenues within tracts designated for commercial use. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services described in the Agreement, the City agrees to remit one-half of all sales and use taxes collected from retailers located in the District's boundaries. The City agrees that it will not annex the District for full purposes until 100 percent of the land in the District capable of being developed has been developed with water, wastewater, drainage and road facilities and the District has issued its bonds to fully reimburse the developer for the construction of such facilities. As of the current fiscal year, the District has not received any remittance of sale taxes from the City under this Agreement.

Note 10 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 11 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continue to own a substantial portion of the taxable property within the District. The developer's willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Required Supplementary Information

Legends Ranch Municipal Utility District of Denton County
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ -	$ 64,165	$ 64,165
Expenditures			
Operating and administrative			
Professional fees	72,000	85,522	(13,522)
Contracted services	4,800	5,963	(1,163)
Administrative	12,455	16,498	(4,043)
Other	250	85	165
Total Expenditures	89,505	108,068	(18,563)
Revenues Under Expenditures	(89,505)	(43,903)	45,602
Other Financing Sources			
Developer advances	89,505	66,000	(23,505)
Net Change in Fund Balance		22,097	22,097
Fund Balance			
Beginning of the year	(15,440)	(15,440)	
End of the year	$ (15,440)	$ 6,657	$ 22,097

Budgets and Budgetary Accounting

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

1. Services provided by the District During the Fiscal Year:

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

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

[X] Other (Specify): Water, sewer, fire and emergency medical services provided by City of Denton

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to

District employs winter averaging for wastewater usage? [ ] Yes [ ] No

Total charges per 10,000 gallons usage: Water ______ Wastewater ______

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

4. Standby Fees (authorized only under TWC Section 49.231):

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

If yes, Date of the most recent commission Order: ______

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

If yes, Date of the most recent commission Order: ______

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Denton County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: City of Denton

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Denton

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? ______

See accompanying auditor's report.

Legends Ranch Municipal Utility District of Denton County
TSI-2. General Fund Expenditures
For the Year Ended August 31, 2025

Professional fees		
Legal	$	61,406
Audit		12,000
Engineering		12,116
		85,522
Contracted services		
Bookkeeping		5,626
Central appraisal district		337
		5,963
Administrative		
Directors fees		5,525
Insurance		7,169
Other		3,804
		16,498
Other		85
Total expenditures	$	108,068

See accompanying auditor's report.

Legends Ranch Municipal Utility District of Denton County
TSI-4. Taxes Levied and Receivable
August 31, 2025

	Maintenance Taxes
Taxes Receivable, Beginning of Year	$ -
2024 Original Tax Levy	64,100
Adjustments	(573)
Adjusted Tax Levy	63,527
Tax collections:	
Current year	63,527
Taxes Receivable, End of Year	$ -
	2024
Property Valuations:	
Land	$ 14,694,843
Exemptions	(9,400,914)
Total Property Valuations	$ 5,293,929
Tax Rates per $100 Valuation:	
Maintenance tax rates	$ 1.20
Adjusted Tax Levy:	$ 63,527
Percentage of Taxes Collected to Taxes Levied ***	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.20 on November 8, 2022

** Maximum Fire Tax Rate Approved by Voters: $0.16 on November 7, 2023

*** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Legends Ranch Municipal Utility District of Denton County
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2025	2024	2023**	2022**
Revenues				
Property taxes	$ 64,165	$ -	$ -	$ -
Expenditures				
Operating and administrative				
Professional fees	85,522	59,211	1,179	
Contracted services	5,963	3,095	2,801	
Administrative	16,498	11,679	5,630	2,925
Other	85	60	360	
Total Expenditures	108,068	74,045	9,970	2,925
Revenues Under Expenditures	(43,903)	(74,045)	(9,970)	(2,925)
Other Financing Sources				
Developer advances	66,000	56,000	12,500	3,000
Net Change in Fund Balance	22,097	(18,045)	2,530	75
Fund Balance, Beginning of the year	(15,440)	2,605	75	
End of the year	$ 6,657	$ (15,440)	$ 2,605	$ 75

*Percentage is negligible
** Unaudited
The fiscal period ending August 31, 2022 began with the District's organizational meeting on August 22, 2022

See accompanying auditor's report.

Percent of Fund Total Revenues			
2025	2024	2023**	2022**
100%	-%	-%	-%
133%	-	-	
9%	-	-	
26%	-	-	-
*	-	-	
168%	-	-	-
(68%)	-%	-%	-%

Legends Ranch Municipal Utility District of Denton County
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2025

Complete District Mailing Address:	16000 N Dallas Pkwy, Ste 350, Dallas, TX 75248
District Business Telephone Number:	(972) 788-1600
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 25, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Ryan Clark	05/22 - 05/26	$ 1,326	$ 82	President
Chris Janowski	05/24 - 05/28	1,326	62	Vice President
James Seidel	05/22 - 05/26	884	55	Secretary
Ryan Jordan	05/24 - 05/28	663	41	Assistant Secretary
Steele Hungerford	05/22 - 05/26	1,326	62	Assistant Secretary
Consultants		Amounts Paid		
Coats Rose P.C.	2022	$ 64,317		Attorney
L&S District Services, LLC	2022	4,405		Bookkeeper
Denton County Tax Collector	2024			Tax Collector
Denton Central Appraisal District	Legislation			Property Valuation
Linebarger Goggan & Sampson, LLP	2024			Delinquent Tax Attorney
Kimley-Horn and Associates, Inc.	2022	12,116		Engineer
McGrath & Co., PLLC	2023	12,000		Auditor
Tierra Financial Advisors, LLC	2023			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

See accompanying auditor's report.

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

December 17, 2025

Board of Directors
Legends Ranch Municipal Utility District of Denton County
Denton County, Texas

In planning and performing our audit of the financial statements of governmental activities and General Fund of Legends Ranch Municipal Utility District of Denton County (the "District"), as of and for the year ended August 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

The District's management consists of an elected Board of Directors (the "Directors"). Day-to-day operations are performed by private companies (the "Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

Material Weaknesses

We observed the following matters that we consider to be material weaknesses:

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on both the fund basis and the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments could result in misstatements in the District's financial statements.

- The District's Management relies on the District's auditor to prepare the capital asset schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function could result in the understatement or overstatement of capital assets and due to developer on the District's *Statement of Net Position* or an error in the amount reported as depreciation expense in the *Statement of Activities*.

Management's Response

The District's financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McGrath & Co, PLLC

McGrath & Co., PLLC-CPAs
Houston, Texas

APPENDIX B

FORMS OF OPINIONS OF BOND COUNSEL

COATS | ROSE

A PROFESSIONAL CORPORATION

[CLOSING DATE]

WE HAVE ACTED as bond counsel in connection with the issuance by Legends Ranch Municipal Utility District of Denton County (the "District") of its bonds styled "Legends Ranch Municipal Utility District of Denton County Unlimited Tax [ROAD/UTILITY] Bonds, Series 202_" (the "Bonds") dated _________, 202_, issued in the aggregate principal amount of $___________, maturing on [MARCH/SEPTEMBER] 1, in the years 20__ through 20__. The Bonds maturing on [MARCH/SEPTEMBER] 1, 20__ and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on ___________, 20__, or on any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

THE BONDS BEAR INTEREST from [DATE] (the "Delivery Date") or from the most recent interest payment date to which interest has been paid or duly provided for with such interest being payable on [MARCH/SEPTEMBER] 1, 20__ and semiannually thereafter on each [MARCH/SEPTEMBER] 1 and [MARCH/SEPTEMBER] 1 thereafter to maturity (each an "Interest Payment Date"), at the following interest rates for the respective maturity dates of the Bonds:

Principal Amount	Year of Maturity	Interest Rate
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%
$__________	20__	______%

The Term Bonds are subject to mandatory redemption on [MARCH/SEPTEMBER] 1 in the years and in the amounts set forth below (subject to reduction by optional redemption as herein provided) at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

16000 NORTH DALLAS PARKWAY, SUITE 350, DALLAS, TEXAS 75248
PHONE: (972) 788-1600 FAX: (972) 702-0662
coatsrose.com

HOUSTON | AUSTIN | DALLAS | CINCINNATI

$___________
Term Bond

Due: [MARCH/SEPTEMBER] 1, 20__
Interest Rate: _______%

Principal Amount	Redemption Date
$__________	[MARCH/SEPTEMBER] 1, 20__
$__________	[MARCH/SEPTEMBER] 1, 20__

$___________
Term Bond

Due: [MARCH/SEPTEMBER] 1, 20__
Interest Rate: _______%

Principal Amount	Redemption Date
$__________	[MARCH/SEPTEMBER] 1, 20__
$__________	[MARCH/SEPTEMBER] 1, 20__
$__________	[MARCH/SEPTEMBER] 1, 20__

Said interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months, and shall be payable on [MARCH/SEPTEMBER] 1, 20__, and semi-annually thereafter on [MARCH/SEPTEMBER] 1 and [MARCH/SEPTEMBER] 1 of each year until maturity of the pertinent Bond.

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

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

1. The Bonds have been duly authorized and issued in conformity with the Constitution and laws of the State of Texas now in force and are valid and legally binding obligations of the District, enforceable in accordance with the terms and conditions set forth therein, except to the extent that the enforcement of the rights and remedies of the holders of the Bonds may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

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

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

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

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

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

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Collin County, Hunt County, the City of Josephine, or any other entity.

[CR SIGNATURE]

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Initial Purchaser believe to be reliable, but neither the District nor the Initial Purchaser takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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

THE PAYING AGENT/REGISTRAR, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC

PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ______________________________
Authorized Officer