OFFICIAL STATEMENT DATED SEPTEMBER 2, 2026

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE—BOOK-ENTRY ONLY **RATING: BAM Insured "AA" (stable outlook) S&P**

CUSIP No. 08954P **See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein**

$6,145,000

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY

(A political subdivision of the State of Texas, located in Denton County, Texas)

UNLIMITED TAX BONDS

SERIES 2026

Dated: October 1, 2026 **Due: April 1 (as shown below)**

Interest on the $6,145,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") will accrue from October 1, 2026, and will be payable on April 1 and October 1 of each year, commencing April 1, 2027. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by 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 "BOOK ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$130,000	2030	7.000%	3.300%	$245,000	2043(b)	4.750%	4.900%
$140,000	2031	7.000%	3.400%	$255,000	2044(b)	4.750%	4.950%
$145,000	2032	7.000%	3.500%	$265,000	2045(b)	4.750%	4.980%
$150,000	2033(b)	7.000%	3.600%	$280,000	2046(b)	4.750%	5.000%
$160,000	2034(b)	4.250%	3.900%	$295,000	2047(b)	4.750%	5.020%
$165,000	2035(b)	4.000%	4.050%	$310,000	2048(b)	4.750%	5.040%
$175,000	2036(b)	4.125%	4.200%	$325,000	2049(b)	4.875%	5.050%
$185,000	2037(b)	4.125%	4.350%	$340,000	2050(b)	5.000%	5.020%
$190,000	2038(b)	4.250%	4.500%	$355,000	2051(b)	5.000%	5.030%
$200,000	2039(b)	4.375%	4.600%	$375,000	2052(b)	5.000%	5.040%
$210,000	2040(b)	4.500%	4.700%	$390,000	2053(b)	5.000%	5.050%
$220,000	2041(b)	4.625%	4.800%	$410,000	2054(b)	5.000%	5.060%
$230,000	2042(b)	4.625%	4.850%				

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Bonds maturing on or after April 1, 2033, are subject to redemption in whole, or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2032, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."

The proceeds of the Bonds will be used by Big Sky Municipal Utility District of Denton County (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct a water treatment plant, wastewater treatment plant and a lift station serving the District; (2) reimburse the Developer for operating advances; (3) fund developer interest related to the advancement of funds for certain construction costs and operating advances; (4) fund twelve (12) months of capitalized interest on the Bonds; and (5) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Denton County, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas or Denton County is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by The Muller Law Group, PLLC, Sugar Land, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about October 8, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, Texas 77056, upon payment of duplication costs.

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

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

The following statement is provided by the Underwriter. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.00% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.024817%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY

SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the bonds may be greater than the difference between the bids 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.

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the order authorizing the issuance of the Bonds (the "Bond Order"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT (except "Estimated Overlapping Debt")," "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2026. The District will provide the updated information to the MSRB via EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

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

of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. 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 MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes this information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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, if, 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 Rule 15c2-12, 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 Underwriter 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.

Compliance with Prior Undertakings

Since the District's first bond issue in 2022, the District has complied in all material respects with all previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") has assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of

income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description: The $6,145,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”), are dated October 1, 2026. The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District; an order of the Texas Commission on Environmental Quality (“TCEQ”) dated August 11, 2026; and an election held within the District on November 5, 2019. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Denton County, or any other entity other than the District. See "THE BONDS."

Redemption Provisions: The Bonds maturing on or after April 1, 2033, are subject to early redemption in whole or in part from time to time at the option of the District, on April 1, 2032, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Optional Redemption.”

Book-Entry-Only System: The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by 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 "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds: The proceeds of the Bonds will be used by Big Sky Municipal Utility District of Denton County (the “District”) to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct a water treatment plant, wastewater treatment plant and a lift station serving the District; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund twelve (12) months of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

Payment Record: The District has previously issued two (2) series of unlimited tax road bonds for the purpose of acquiring or constructing road facilities to serve the District, of which $7,665,000 principal amount was outstanding as of July 1, 2026 (the “Outstanding Road Bonds”) and has previously issued one (1) of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District, of which $2,500,000 principal amount was outstanding as of July 1, 2026 (the “Outstanding Utility Bonds,” and together with the Outstanding Road Bonds, the “Outstanding Bonds”). As of July 1, 2026, the District has $10,165,000 principal amount of Outstanding Bonds. The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. See “DISTRICT DEBT.”

Risk Factors: The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

Qualified Tax Exempt Obligations: The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2026 is not reasonably expected to exceed $10,000,000 and that it will not designate more than $10,000,000 of qualified tax-exempt obligations during the calendar year 2026. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

Municipal Bond Rating and Insurance: S&P has assigned its municipal bond insured rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See “MUNICIPAL BOND RATING,” “BOND INSURANCE,” and “APPENDIX C – Specimen Municipal Bond Insurance Policy.”

Bond Counsel: Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

THE DISTRICT

Authority: The District is a municipal utility district created by order of the Texas Commission on Environmental Quality (“TCEQ”) dated October 11, 2016. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District was granted road powers authorized by Article III, Section 52 of the Texas Constitution pursuant to Chapter 7973, Texas Special Districts Local Laws Code. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. See "THE DISTRICT – Authority."

Description and Location: The District, as it was originally created, included approximately 417 acres. Since its creation, the District has annexed approximately 23 acres of land and presently encompasses approximately 440 acres. The District has not excluded any tracts of land since its creation. The District is located in western Denton County, Texas and is situated entirely within Denton County. The District is located approximately seven (7) miles west-southwest of the central business district of the City of Krum, Texas and approximately 45 miles northwest of the central business district of the City of Dallas, Texas. The District is generally bounded on the south by U.S Highway 380, on the north by existing residential development, on the east by Jackson Road and existing residential development, and on the west by gas well sites. Residents gain access to the District by traveling south from the central business district of the City of Krum, Texas on F.M. 156, west on U.S Highway 380, and north on Big Sky Boulevard. Land within the District is relatively flat, with elevations ranging from 758 feet above mean-sea-level to 854 feet above mean-sea-level. See “THE DISTRICT – Description and Location.”

Development of the District: The District is being developed for predominantly single-family residential purposes in the subdivision known as Big Sky Estates. Homebuilding in the District has taken place in Big Sky Estates, Phases 1 – 3A. As of July 1, 2026, the District included approximately 475 completed homes (approximately 438 of which were owner-occupied), 18 homes under construction, and 198 vacant developed lots. Additionally, Big Sky Estates, Phase 3B (110 lots, 26 acres) is currently under construction with home construction expected to commence in after the homes in Phase 3A have been completed. See “THE DISTRICT – Status of Residential Development” and “APPENDIX B – Photographs Taken in the District.”

Summary of Land Uses: As of August 1, 2026, the District included approximately 121 acres that have been developed and improved for single-family residential purposes, approximately 54 acres currently under development, approximately 123 remaining developable acres, and approximately 167 undevelopable acres, which includes District plant sites, road rights-of-way, detention ponds, drainage easements, open spaces, and park and recreational facilities. See “THE DISTRICT – Land Uses and Status of Land Development.”

The Developer: The developer of the District is LGI Homes – Texas, LLC (herein the “Developer”), a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. The Developer is a Texas limited liability company whose sole manager is LGI Homes Group, LLC, a Texas limited liability company whose sole member is LGI Homes, Inc., a Delaware corporation, the stock of which is publicly traded on the NASDAQ Global Select Market under the ticker symbol “LGIH.” The Developer is also the sole homebuilder in the District. According to the Developer, homes in the District are currently being constructed on 40-foot and 50-foot lots and are being marketed and sold in the $280,000 – $355,000 price range. See “THE DEVELOPER.”

The System: The District owns and operates the water supply and distribution facilities serving property within the District. The District obtains its water supply from the Trinity aquifer through its own wells. The District owns one water plant with total combined water supply capacities as follows: (i) two (2) 230 gallon per minute (“gpm”) well; (ii) one (1) 400 gpm well; (iii) 30,000 gallons of hydropneumatic tank capacity; (iv) 600,000 gallons of ground storage tank capacity; and (v) 3,150 gpm of booster pump capacity. According to the Engineer, the District currently has water supply capacity capable of serving 1,500 equivalent single-family connections (“ESFCs”), which is adequate to serve the existing ESFCs located in the District. The District anticipates additional expansions to the water supply facilities in order to accommodate the District’s capacity requirements at ultimate buildout based on current projected or anticipated land uses.

The District owns and maintains wastewater collection facilities serving property within the District. The District owns one lift station with a total capacity of 1,135 gpm. The District has entered into a 60-month lease that may be extended on a month-to-month basis upon written notice from the District for an interim wastewater treatment plant that has a capacity of 226,667 gallons per day (“gpd”); such plant has capacity to serve approximately 755 ESFCs. Additionally, the District has and approved design of a 220,000 gpd wastewater treatment plant expansion. The expansion will be able to serve approximately 733 additional

ESFCs. Upon completion of the 220,000 gpd expansion, the District will have wastewater treatment plant capacity capable of serving 1,488 ESFCs. The District anticipates additional phases of expansion to the wastewater treatment plant and an additional lift station in order to accommodate the District's capacity requirements at ultimate buildout based on current projected or anticipated land uses.

The underground storm drainage collection system serving Big Sky Estates, Phases 1 – 3A is complete, and those facilities to serve Big Sky Estates, Phase 3B are currently under construction. The District's drainage system utilizes a combination of curb and gutter street system to convey runoff to drainage facilities, which ultimately outfall into Denton Creek. Stormwater is collected through such curb and gutter system and storm sewers and is routed to a series of detention ponds, which outfall into U.S. Highway 380 and Denton Creek. According to the Engineer, approximately six (6) acres in the District lie within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Number 48121C0330G dated April 18, 2011 for Denton County, Texas. However, none of the developed lots upon which homes are constructed or lots planned for development are located within the 100-year flood plain. See "THE SYSTEM."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2026 Certified Taxable Value	$157,211,753	(a)
Direct Debt:		
The Bonds	$6,145,000	
The Outstanding Bonds (as of July 1, 2026)	$10,165,000	
Total Direct Debt	$16,310,000	
See “DISTRICT DEBT”		
Estimated Overlapping Debt	$15,791,973	(b)
Direct and Estimated Overlapping Debt	$32,101,973	(b)
Percentage of Direct Debt to:		
2026 Certified Taxable Value	10.37%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Value	20.42%	
See “DISTRICT DEBT”		
2026 Tax Rate Per $100 of Assessed Value:		
Road Debt Service Tax Rate	$0.365	
Utility Debt Service Tax Rate	$0.370	
Fire Contract Tax Rate	$0.080	
Maintenance and Operations Tax Rate	$0.350	
Total 2026 Tax Rate	$1.165	(c)
Cash and Temporary Investment Balances as of August 5, 2026:		
General Fund	$1,086,204	
Utility Debt Service Fund (as of delivery of the Bonds)	$387,032	(d)
Road Debt Service Fund	$338,234	(e)

(a) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by Denton Central Appraisal District (“DCAD”). See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(b) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(c) The District has authorized publication of a total district tax rate of $1.165 per $100 of assessed value for 2026.

(d) The Utility Debt Service Fund figure above includes 12 months of capitalized interest to deposit into the Utility Debt Service Fund on or about the day of closing of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Utility Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Utility Debt Service Fund are not available to make debt service payments on the District’s outstanding road bonds. See “DISTRICT TAX DATA – Tax Adequacy of Tax Revenue.”

(e) Neither Texas law nor the District's previous orders authorizing the road bonds requires that the District maintain any particular balance in the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds.

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Debt Service Requirements	Plus: Debt Service Requirements on the Bonds		Total Debt Service Requirements
		Principal	Interest	
2026	$650,825	-	-	$650,825
2027	$670,050	-	$302,606	$972,656
2028	$718,550	-	$302,606	$1,021,156
2029	$715,638	-	$302,606	$1,018,244
2030	$716,788	$130,000	$298,056	$1,144,844
2031	$712,913	$140,000	$288,606	$1,141,519
2032	$714,819	$145,000	$278,631	$1,138,450
2033	$711,788	$150,000	$268,306	$1,130,094
2034	$718,163	$160,000	$259,656	$1,137,819
2035	$718,713	$165,000	$252,956	$1,136,669
2036	$718,538	$175,000	$246,047	$1,139,584
2037	$722,294	$185,000	$238,622	$1,145,916
2038	$724,869	$190,000	$230,769	$1,145,638
2039	$721,600	$200,000	$222,356	$1,143,956
2040	$727,244	$210,000	$213,256	$1,150,500
2041	$721,769	$220,000	$203,444	$1,145,213
2042	$725,169	$230,000	$193,038	$1,148,206
2043	$722,038	$245,000	$181,900	$1,148,938
2044	$727,338	$255,000	$170,025	$1,152,363
2045	$726,213	$265,000	$157,675	$1,148,888
2046	$733,550	$280,000	$144,731	$1,158,281
2047	$734,225	$295,000	$131,075	$1,160,300
2048	$733,188	$310,000	$116,706	$1,159,894
2049	$730,431	$325,000	$101,422	$1,156,853
2050	$735,856	$340,000	$85,000	$1,160,856
2051	$379,363	$355,000	$67,625	$801,988
2052	$171,875	$375,000	$49,375	$596,250
2053	$174,038	$390,000	$30,250	$594,288
2054	-	$410,000	$10,250	$420,250
TOTALS	**$18,677,838**	**$6,145,000**	**$5,347,597**	**$30,170,434**

Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050) $1,160,856

Requires a $0.78 debt service tax rate on the 2026 Certified Taxable Value of $157,211,753 at 95% collections $1,164,939

See “DISTRICT TAX DATA – Tax Adequacy of Tax Revenue.”

OFFICIAL STATEMENT
relating to
$6,145,000

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
(A political subdivision of the State of Texas located within Denton County, Texas)

UNLIMITED TAX BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Big Sky Municipal Utility District of Denton County $6,145,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of Big Sky Municipal Utility District of Denton County (the "District"); an order of the Texas Commission on Environmental Quality ("TCEQ") dated August 11, 2026; and an election held within the District on November 5, 2019.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, the District's financial condition, and the developers in the District. 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Denton County, or any other entity other than the District, are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners or that there will be a market for such property.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

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 state and local 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 six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. 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. 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by Texas statutes or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, engineering plans, specifications, and estimates of construction costs for the facilities and services to be purchased or constructed by the District and financed with the proceeds of the Utility Bonds have been approved, subject to certain conditions, by the TCEQ. 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. Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest

rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or home building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Dallas area is competitive and the District can give no assurance that current home building programs will be completed. The competitive position of the developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of the Developer in the sale of land and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Dependence on Principal Taxpayers

According to the District's 2026 certified tax rolls as provided by DCAD, the top 10 taxpayers are responsible for approximately 14.62% of the District's 2026 taxes. The District's principal taxpayers include the Developer, which represents approximately $16,488,639 of taxable assessed valuation, or approximately 10.48% of the District's 2026 Certified Taxable Value of $157,211,753.

The ability of the principal taxpayers 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. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease operations within the District, a substantial decrease in the District's value may result; the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Road Debt Service Fund, or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Landowners/Developer Under No Obligation to the District

The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed lots (currently existing or anticipated to be created by the Developer) or own commercial tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "– Dependence on Principal Taxpayers" herein and "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The Board of Directors has authorized publication of a 2026 tax rate of $1.165 per $100 of assessed valuation. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax. The District intends to maintain a plan of financing that would allow the District to keep a total tax rate (including its operations and maintenance tax rate, fire contract tax rate, and debt service tax rates) of $1.165 per $100 of assessed valuation or less.

Assuming no further construction of residential or commercial projects within the District other than those that have been constructed, the value of such land and improvements within the District could be a major determinant of the ability of the District to collect and the willingness of property owners to pay ad valorem taxes levied by the District. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be $1,160,856 (2050). The 2026 Certified Taxable Value of property within the District is $157,211,753. Assuming no increase or decrease in the 2026 Certified Taxable Value and no use of other District funds, a debt service tax rate of $0.78 per $100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Operating Funds

The District provides water and wastewater services to property owners within the District and receives payments from customers for such services. In addition, the District levies a maintenance and operation tax. The revenues produced from the maintenance and operation tax and from the District's water and wastewater service are deposited into the District's General Fund and such revenues must be sufficient to offset the operating expenses of the District. The Board of Directors have authorized publication to set a 2026 maintenance and operation tax rate in the amount of $0.35 per $100 assessed valuation, which produces a maintenance and operation tax levy amount of approximately $550,241; such amount will be deposited into the District's General Fund upon collection. As of August 5, 2026, the District's General Fund had an unaudited cash and investment balance of $1,086,204. For the fiscal year ending April 30, 2027, the District is currently budgeting expenditures of $1,644,894. Maintenance of a positive General Fund balance will depend upon: (1) operating advances from the Developer from time to time, which may be reimbursed from proceeds of future bonds; and (2) continued development and increased amounts of water and wastewater revenues and maintenance tax revenue. Upon request from the District from time to time, the Developer has made operating advances to the District's General Fund, and such advances have been made on time and in full. If its General Fund balance is depleted, then the District will be required to levy a maintenance and operation tax at a rate sufficient to fund operating expenses not covered by water and wastewater revenues. Such a tax, when added to the District's debt service tax and fire contract tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of $1.165 per $100 of assessed valuation subsequent to the sale of the Bonds. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History."

Future Debt

The District's voters have authorized the issuance of a total of $133,084,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities and $199,626,000 of unlimited tax bonds for the purpose of refunding water, sewer, and drainage bonds previously issued; $64,802,000 of unlimited tax bonds for the purposes of providing road facilities and $97,203,000 of unlimited tax bonds for the purpose of refunding road bonds previously issued; and $21,454,411 of unlimited tax bonds for the purposes of providing fire protection facilities and $32,181,616 of unlimited tax bonds for the purpose of refunding fire protection bonds previously issued. The District could authorize additional amounts in the future. See "Financing Fire Protection Facilities."

Following the issuance of the Bonds, $124,439,000 of unlimited tax bonds for water, sewer and drainage facilities and $199,626,000 of unlimited tax bonds for refunding water, sewer, and drainage bonds; $56,902,000 of unlimited tax bonds for road facilities and $97,203,000 of unlimited tax bonds for refunding road bonds; and $21,454,411 of unlimited tax bonds for fire protection facilities and $32,181,616 of unlimited tax bonds for refunding fire protection bonds will remain authorized, but unissued. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. The outstanding principal amount of any road bonds issued by the District may not exceed an amount equal to twenty-five percent of the value of assessed real property in the District. The District conducted a road bond election that authorized $64,802,000 of unlimited tax road bonds at an election held on November 5, 2019, of which $56,902,000 will remain authorized but unissued after the issuance of the Bonds.

Financing Fire Protection Facilities

The District is authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The TCEQ has approved the District's master plan and at an election held on May 2, 2020, the District conducted a fire protection bond election that authorized $21,454,411 of unlimited tax fire protection bonds and authorized the District to collect a fire tax of $0.165 per $100 of assessed valuation to finance the Fire Facilities and the provision of Fire and Emergency Services, as defined herein.

The County of Denton, Texas (herein, the "County") and the District have entered into an Amended and Restated Fire Protection Agreement dated October 28, 2025 (herein, the "Agreement") to finance the construction and acquisition of fire protection facilities

and equipment and for the provision of fire-fighting, emergency medical, first responder, and rescue services to be provided by the County to property located within the District ("Fire and Emergency Services"). Pursuant to the Agreement, the District, or the Developer on behalf of the District, will pay to the County an estimated $2,400,000 for various firefighting and emergency services equipment, and the District on October 22, 2025, conveyed approximately 2.9 acres of land within the District to the County to operate, maintain, and equip a fire station (collectively the "Fire Facilities"). The Agreement requires that the District pay to the County an annual fire fee equivalent to $0.16 per $100 of assessed valuation in the District. For tax year 2026, the Board of Directors authorized publication of a $0.08 fire tax for the District and will fund the remainder annual fee pursuant to a fee on the customer water and sewer service bill. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. See "DISTRICT TAX DATA – Fire Contract Tax" and "THE SYSTEM – Fire Protection Facilities."

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of the 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 Dallas-Fort Worth area. Under the Clean Air Act ("CAA") Amendments of 1990, a ten-county Dallas-Fort Worth area ("2008 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a "severe" nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), effective November 7, 2022 with an attainment year of 2026. The "severe" nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development. As a result of the DFW Area's reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2026, addressing the "serious" nonattainment classification.

Water Supply & Discharge Issues: Water supply and discharge regulations that 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 HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

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

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

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

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

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

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

Changes in Tax Legislation

Certain tax legislation, if enacted, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, and 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.

Potential Impact of Natural Disaster

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

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds,

or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flooding – Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flooding – Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 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.

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

Atlas 14

The National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). NOAA has begun a phased rollout of a successor study, Atlas 15, with preliminary estimates for the continental United States expected for public review in September 2026 and final, peer-reviewed estimates anticipated by late 2026, with additional data for areas outside the continental United States to follow in 2027. The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing developers, homebuilders, and general contractors to experience budget overruns. Further, the federal administration's impositions and threatened impositions of tariffs and the imposition or threatened impositions of retaliatory tariffs against the United States will impact the ability of developers, homebuilders, general contractors, and district consultants to estimate costs, which could have a direct effect on the District's ability

to finance water, sanitary, and detention facilities. Furthermore, the federal administration's immigration policies may impact the Texas' workforce.

Cybersecurity

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

Bond Insurance Risk Factors

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

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used by Big Sky Municipal Utility District of Denton County (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct a water treatment plant, wastewater treatment plant and a lift station serving the District; (2) reimburse the Developer for operating advances; (3) fund developer interest related to the advancement of funds for certain construction costs and operating advances; (4) fund twelve (12) months of capitalized interest on the Bonds; and (5) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds.

Pape-Dawson Engineers, Inc. (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	**Total Amount**	
District Contribution Items		
Big Sky Water Treatment Plant	$ 2,553,302	
Big Sky Wastewater Treatment Plant	1,335,779	
Big Sky Lift Station	176,857	
Total District Contribution Items	$ 4,065,938	
TOTAL CONSTRUCTION COSTS	**$ 4,065,938**	
NON-CONSTRUCTION COSTS		
Legal Fees	$ 168,625	
Fiscal Agent Fees	122,900	
Interest Costs:		
Capitalized Interest (12 months)	302,606	
Developer Interest	921,750	
Bond Discount	184,350	
Operating Advances	307,250	
Bond Issuance Expenses	45,429	
Attorney General's Fee (0.10% or max $9,500)	6,145	
TCEQ Fee (0.25%)	15,363	
Contingency	4,644	(a)
TOTAL NON-CONSTRUCTION COSTS	**$ 2,079,062**	
TOTAL BOND ISSUE REQUIREMENT	**$ 6,145,000**	

(a) Represents the difference between the estimated and actual amounts of capitalized interest. Such funds will be used by the District for water, wastewater, and drainage-related costs only after approval by the Board of Directors.

THE DISTRICT

Authority

The District is a municipal utility district created by order of the TCEQ dated October 11, 2016. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District was granted road powers authorized by Article III, Section 52 of the Texas Constitution pursuant to Chapter 7973, Texas Special Districts Local Laws Code. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

Under certain limited circumstances, the District is authorized to construct, develop, maintain, and finance roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District. See "RISK FACTORS – Financing Road Facilities," "– Financing Fire Protection Facilities," and "THE BONDS – Issuance of Additional Debt."

The District is required to observe certain requirements of Denton County. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and fire protection facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the approval of Denton County of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 417 acres. Since its creation, the District has annexed approximately 23 acres of land and presently encompasses approximately 440 acres. The District has not excluded any tracts of land since its creation. The District is located in western Denton County, Texas and is situated entirely within Denton County. The District is located approximately seven (7) miles west-southwest of the central business district of the City of Krum, Texas and approximately 45 miles northwest of the central business district of the City of Dallas, Texas. The District is generally bounded on the south by U.S Highway 380, on the north by existing residential development, on the east by Jackson Road and existing residential development, and on the west by gas well sites. Residents gain access to the District by traveling south from the central business district of the City of Krum, Texas on F.M. 156, west on U.S Highway 380, and north on Big Sky Boulevard. Land within the District is relatively flat, with elevations ranging from 758 feet above mean-sea-level to 854 feet above mean-sea-level. According to the Engineer, approximately six (6) acres in the District lie within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Number 48121C0330G dated April 18, 2011 for Denton County, Texas. However, none of the developed lots upon which homes are constructed or lots planned for development are located within the 100-year flood plain. See "THE SYSTEM – 100-Year Flood Plain."

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of August 1, 2026, appears in the following table:

Type of Land Use	Approximate Acres
Developed and Improved Acres (a)	121
Acres Under Development (b)	54
Remaining Developable Acreage (c)	123
Undevelopable Acreage (d)	167
Total Approximate Acres	**440**

(a) Represents land that is served with utilities and has single-family residential improvements constructed on site, including Big Sky Estates, Phases 1 – 3A. See "– Status of Residential Development" herein.

(b) Represents land that is in the process of being developed with utilities, including Big Sky Estates, Phase 3B (110 lots, 26 acres) and Phase 1B (6 lots, 3 acres) which are expected to start development after Phase 3A. See "– Status of Residential Development" herein.

(c) Represents land available for future development. Such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken.

(d) Includes District plant sites, road rights-of-way, detention ponds, drainage easements, open spaces, and park and recreational facilities.

Status of Residential Development

The District is being developed for predominantly single-family residential purposes in the subdivision known as Big Sky Estates. Homebuilding within the District commenced on or about in May of 2021. The following table indicates the approximate status of single-family residential development as of July 1, 2026. See "APPENDIX B – Photographs Taken in the District" for further illustration of the various products of homes being constructed in the District.

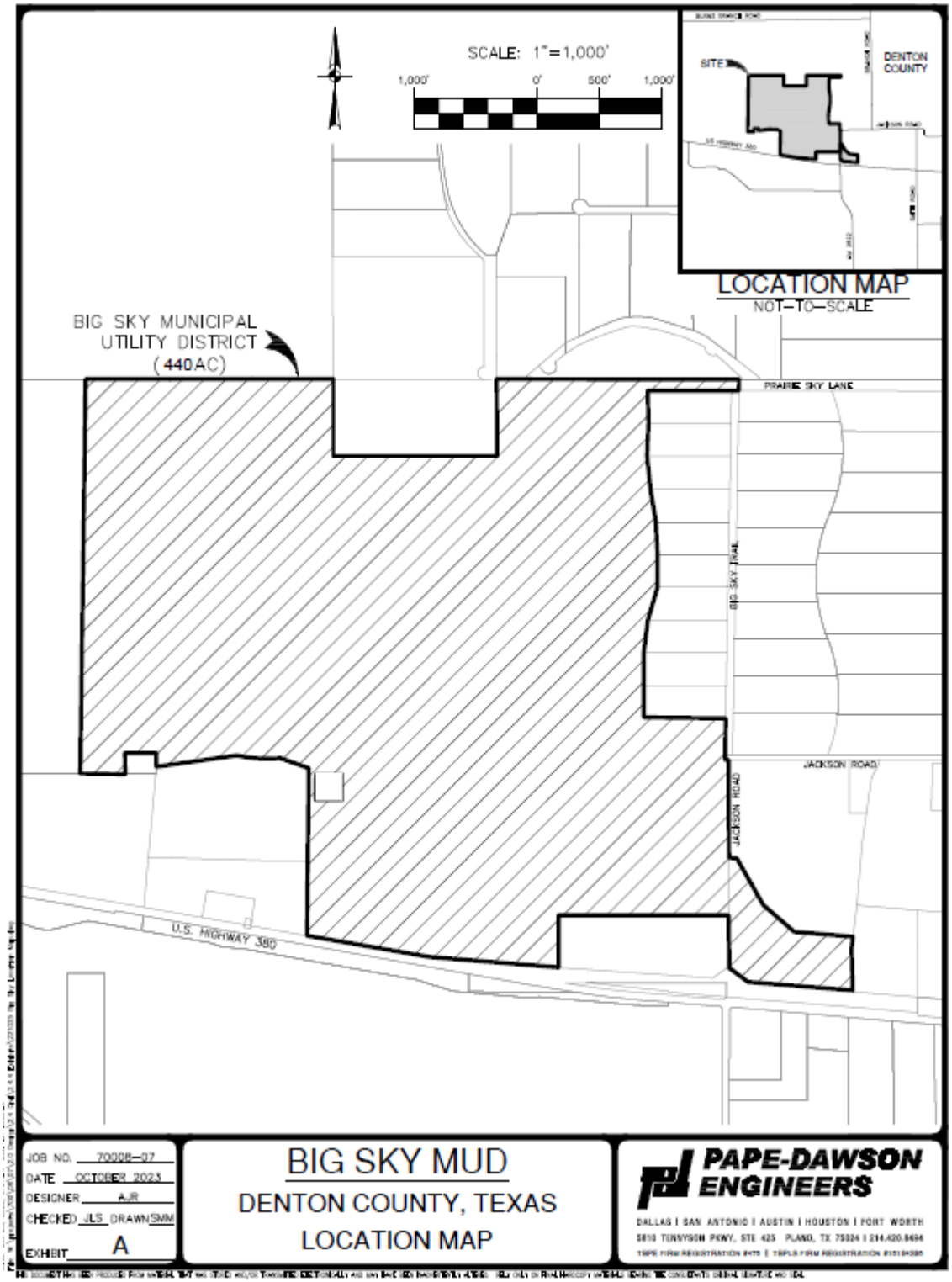
		Homes		
Subdivision/Section	Total Lots	Complete	Under Construction	Vacant Lots
Big Sky Estates, Phase 1 (a)	289	289	0	0
Big Sky Estates, Phase 2 (a)	238	186	18	34
Big Sky Estates, Phase 3A (a)	164	0	0	164
Big Sky Estates, Phase 3B (b)	-	-	-	-
TOTALS	**691**	**475** (c)	**18**	**198**

(a) Homes in the Big Sky Estates subdivision are being constructed by the Developer on 40-foot and 50-foot lots and are currently being marketed and sold in the $280,000 - $355,000 price range.

(b) Big Sky Estates, Phase 3B (110 lots, 26 acres) is expected to start homebuilding after Phase 3A.

(c) According to the Developer, as of September 1, 2026, approximately 438 of the completed homes were owner-occupied and one (1) of the completed homes was being used as a model home.

Location Map



THE DEVELOPER

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the utilities and streets 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 TCEQ, as well as gas, telephone and electric service), and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developer

The developer of the District is LGI Homes – Texas, LLC (herein the "Developer"), a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. The Developer is a Texas limited liability company whose sole manager is LGI Homes Group, LLC, a Texas limited liability company whose sole member is LGI Homes, Inc., a Delaware corporation, the stock of which is publicly traded on the NASDAQ Global Select Market under the ticker symbol "LGIH." The Developer is also the sole homebuilder in the District. According to the Developer, homes in the District are currently being constructed on 40-foot and 50-foot lots and are being marketed and sold in the $280,000 – $355,000 price range.

The Developer has completed the development of Big Sky Estates, Phases 1 – 3A and is currently implementing its homebuilding program in such sections. Additionally, the Developer is in the process of developing the land located in Big Sky Estates, Phase 3B, which is expected to contain 110 single-family residential lots based on current land plans. The Developer has additional land holdings within the District that are currently planned for future single-family residential development. See "– Future Development" herein and "THE DISTRICT – Land Uses and Status of Land Development" and "– Status of Residential Development."

Developer Financing

As noted above, the Developer is a wholly owned subsidiary of its publicly traded parent company, LGI Homes, the stock of which is traded on the NASDAQ Global Select Market under the ticker symbol "LGIH." As a publicly traded company, LGI Homes is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by LGI Homes can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. Audited financial statements for LGI Homes are also available at www.lgihomes.com.

While LGI Homes may provide internal financing to its subsidiaries, including the Developer, it is not in any way responsible for the payment of taxes to the District or for the payment of interest and principal on the Bonds. Neither the Developer nor LGI Homes has made any commitment to pay debt service on the Bonds, and reference to the financial information of LGI Homes in this Official Statement should not be so construed. The District has not obtained any representations from LGI Homes concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

The Developer has obtained financing for a portion of the development of the District through the National Finance Authority, a body politic and corporate created and existing under the laws of the State of New Hampshire (the "NFA"). The NFA issued $68,402,014.00 Special Revenue Capital Appreciation Bonds (LGI Homes Project, Denton, Galveston, Harris, Montgomery, and Williamson Counties, Texas), Series 2026 (the "NFA Bonds"), which are secured in part by the sale and assignment of the Developer's right to receive proceeds from the sale of future unlimited tax bonds, including the Bonds, issued by the District pursuant to the Facilities and Operating Costs Reimbursement Agreement between the District and Developer effective as of November 30, 2018, as amended by that certain Amendment to Facilities and Operating Costs Reimbursement Agreement, dated April 27, 2026. The District delivered an Consent to Sale and Assignment Agreement Acknowledgment and Consent, consenting to the Developer's assignment of a portion of its future receivables from District bond proceeds, a Letter of Representations, and a Certificate of the District to the NFA with respect to the issuance of the NFA Bonds. According to the Developer, it is currently in compliance with all material representations and certifications made with respect to the NFA Bonds and has made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law.

Future Development

The Developer owns additional land within the District that is currently undeveloped, which is anticipated to be developed for predominantly single-family residential purposes in the Big Sky Estates subdivision. According to the Developer, the Big Sky Estates subdivision is currently planned for 1,340 single-family residential lots at ultimate buildout, of which 691 lots have heretofore been developed in Big Sky Estates, Phases 1 – 3A. Big Sky Estates, Phase 3B (110 lots, 26 acres) is expected to start homebuilding after Phase 3A. See "THE DISTRICT – Status of Residential Development." As stated elsewhere in this Official Statement, the Developer has no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Future development and homebuilding depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developer represent that the remaining development of the Big Sky Estates subdivision will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See "RISK FACTORS – Economic Factors," "– Competition," and "– Landowners/Developer Under No Obligation to the District."

THE SYSTEM

Description of the System and Regulation

According to the District's engineer, Pape-Dawson Engineers, Inc. (the "Engineer"), the water, wastewater, and storm drainage facilities to serve property in the District (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of the System, including, as applicable, the TCEQ and Denton County, among others. According to the Engineer, all such facilities constructed to date have been approved by required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

The District expects to finance its costs of construction or acquisition of components of the water supply and distribution, wastewater collection and treatment, and storm drainage and detention facilities, among other facilities that have been and will be constructed to serve property within the District, with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS – Issuance of Additional Debt" and "RISK FACTORS – Future Debt."

Water Supply Facilities

The District owns and operates the water supply and distribution facilities serving property within the District. The District obtains its water supply from the Trinity aquifer through its own wells. The District owns one water plant with total combined water supply capacities as follows: (i) two (2) 230 gallon per minute ("gpm") well; (ii) one (1) 400 gpm well; (iii) 30,000 gallons of hydropneumatic tank capacity; (iv) 600,000 gallons of ground storage tank capacity; and (v) 3,150 gpm of booster pump capacity. According to the Engineer, the District currently has water supply capacity capable of serving 1,500 equivalent single-family connections ("ESFCs"), which is adequate to serve the existing ESFCs located in the District. The District anticipates additional expansions to the water supply facilities in order to accommodate the District's capacity requirements at ultimate buildout based on current projected or anticipated land uses.

Wastewater Treatment Facilities

The District owns and maintains wastewater collection facilities serving property within the District. The District owns one lift station with a total capacity of 1,135 gpm. The District has entered into a 60-month lease that may be extended on a month-to-month basis upon written notice from the District for an interim wastewater treatment plant that has a capacity of 226,667 gallons per day ("gpd"); such plant has capacity to serve approximately 755 ESFCs. Additionally, the District has and approved design of a 220,000 gpd wastewater treatment plant expansion. The expansion will be able to serve approximately 733 additional ESFCs. Upon completion of the 220,000 gpd expansion, the District will have wastewater treatment plant capacity capable of serving 1,488 ESFCs. The District anticipates additional phases of expansion to the wastewater treatment plant and an additional lift station in order to accommodate the District's capacity requirements at ultimate buildout based on current projected or anticipated land uses.

Drainage and Detention Facilities

The underground storm drainage collection system serving Big Sky Estates, Phases 1 – 3A is complete, and those facilities to serve Big Sky Estates, Phase 3B are currently under construction. The District's drainage system utilizes a combination of curb and gutter street system to convey runoff to drainage facilities, which ultimately outfall into Denton Creek. Stormwater is collected through such curb and gutter system and storm sewers and is routed to a series of detention ponds, which outfall into U.S. Highway 380 and Denton Creek.

100-Year Flood Plain

According to the Engineer, approximately six (6) acres in the District lie within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Number 48121C0330G dated April 18, 2011 for Denton County, Texas. However, none of the developed lots upon which homes are constructed or lots planned for development are located within the 100-year flood plain.

Fire Protection Facilities

Pursuant to the Amended and Restated Fire Protection Agreement dated October 28, 2025, between the District and the County, the County will own, operate, and maintain the Fire Facilities and provide Fire and Emergency Services to the District. See "RISK FACTORS – Financing Fire Protection Facilities" and "DISTRICT TAX DATA – Fire Contract Tax."

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's water and wastewater operations is provided for information purposes only.

	Fiscal Year Ended April 30 (a)				
REVENUES	**2026**	**2025**	**2024**	**2023**	**2022**
Property Taxes	$1,143,426	$919,356	$991,600	$289,716	$221,691
Water Service	$274,953	$277,676	$190,702	$155,248	$42,287
Wastewater Service	$298,501	$243,311	$184,702	$141,015	$27,717
Garbage Service	$162,550	$139,604	$103,242	$66,818	$7,971
Fire Service	$86,901	$100,403	$79,146	$57,393	$14,584
Tap Connection and Inspection Fees	$35,912	$37,491	$91,511	$62,852	$98,417
Penalty, Interest and Miscellaneous Revenues	$61,701	$51,953	$23,422	$17,474	$2,837
TOTAL REVENUES	**$2,063,944**	**$1,769,794**	**$1,664,499**	**$790,516**	**$415,504**
EXPENDITURES					
Professional Fees	$150,736	$97,301	$122,731	$99,980	$55,281
Contracted Services	$440,548	$461,672	$402,094	$205,765	$70,703
Utilities	$81,262	$84,581	$74,579	$68,704	$11,290
Repairs and Maintenance	$446,965	$362,683	$329,239	$224,911	$225,101
Other	$247,516	$225,161	$235,631	$308,387	$56,300
Capital Outlay (b)	-	-	-	-	$1,841,987
Lease Principal and Interest (b)	$217,800	$217,800	$217,800	$217,800	$145,200
TOTAL EXPENDITURES	**$1,584,827**	**$1,449,198**	**$1,382,074**	**$1,125,547**	**$2,405,862**
OTHER FINANCING SOURCES (USES)					
Developer Advances (c)	-	-	-	$775,000	$225,000
Lease Liability (b)	-	-	-	-	$1,767,987
TOTAL OTHER FINANCING SOURCES (USES)	**-**	**-**	**-**	**$775,000**	**$1,992,987**
NET CHANGE IN FUND BALANCE	**$479,117**	**$320,596**	**$282,425**	**$439,969**	**$2,629**
BEGINNING FUND BALANCE	**$1,061,267**	**$740,671**	**$458,246**	**$18,277**	**$15,648**
ENDING FUND BALANCE (d)	**$1,540,384**	**$1,061,267**	**$740,671**	**$458,246**	**$18,277**

(a) Data is taken from the District's audited financial statements. See "APPENDIX A." The financial statements of the District as of April 30, 2026, and for the year then ended, represent the first year of audited financial statements.

(b) For the fiscal year ended April 30, 2022, the amount reflected for Lease Liability is attributable to the District's lease agreement for the 226,667 gpd wastewater treatment plant serving property in the District. See "– Wastewater Treatment Facilities" herein. Pursuant to certain generally accepted accounting principles, such audited amount of other financing sources (revenues) reflected for Lease Liability is directly offset by certain of the expenditure amounts reflected within Capital Outlay. The expenditure amounts reflected for Lease Principal and Interest represent the District's retirement of its lease liability attributable to the wastewater treatment plant.

(c) The District was funded by operating advances from the Developers for fiscal years 2023 and prior. As noted elsewhere in this Official Statement, the Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "RISK FACTORS – Operating Funds."

(d) As of August 5, 2026, the District's General Fund had an unaudited cash and investment balance of $1,086,204. For the fiscal year ending April 30, 2026, the District's General Fund is currently budgeting revenues of $1,776,680 and expenditures of $1,490,543. The District does not currently have any revenues attributable to operating advances from the Developer included in its budget for the fiscal year ending April 30, 2026.

THE ROADS

The District has financed certain of its costs of construction or acquisition of components of the road system (the "Roads"), which serves the property in the District. The Roads serve the residents of the District by providing access to the collector road within the Big Sky Estates subdivision and the surrounding area. Big Sky Boulevard serves as a collector by conveying travelers to U.S. Highway 380. The Roads consist of additional residential roads and improvements in aid thereof. See "RISK FACTORS – Financing Road Facilities."

The Roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater, and drainage facilities are located within the right-of-way or easement dedicated to the District. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities including power, gas, telephone, and cable. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Denton County. The District is responsible for maintenance of the Roads.

MANAGEMENT OF THE DISTRICT

The District is governed by a Board of Directors (the "Board"), which has control over and management supervision of all affairs of the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Expires May
Andrew Mizerek	President	2028
Greg Edwards	Vice President	2030
Kenny Bounds	Secretary	2030
Preston Crow	Assistant Secretary	2028
Josh Dennison	Assistant Secretary	2030

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Utility Tax Service, LLC, who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with L&S District Services, LLC for bookkeeping services.

Auditor – The financial statements of the District as of April 30, 2026, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's April 30, 2026, audited financial statements.

Utility System Operator – The operator of the District's System is Inframark, LLC.

Engineer – The consulting engineer for the District is Pape-Dawson Engineers, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered. See "OFFICIAL STATEMENT – Financial Advisor."

Bond Counsel and General Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP serves as Bond Counsel to the District and as general counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – The Muller Law Group, PLLC, Sugar Land, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

2026 Certified Taxable Value	$157,211,753	(a)
Direct Debt:		
The Bonds	$6,145,000	
The Outstanding Bonds (as of July 1, 2026)	$10,165,000	
Total Direct Debt	$16,310,000	
See “DISTRICT DEBT”		
Estimated Overlapping Debt	$15,791,973	(b)
Direct and Estimated Overlapping Debt	$32,101,973	(b)
Percentage of Direct Debt to:		
2026 Certified Taxable Value	10.37%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Value	20.42%	
See “DISTRICT DEBT”		
2026 Tax Rate Per $100 of Assessed Value:		
Road Debt Service Tax Rate	$0.365	
Utility Debt Service Tax Rate	$0.370	
Fire Contract Tax Rate	$0.080	
Maintenance and Operations Tax Rate	$0.350	
Total 2026 Tax Rate	$1.165	(c)
Cash and Temporary Investment Balances as of August 5, 2026:		
General Fund	$1,086,204	
Utility Debt Service Fund (as of delivery of the Bonds)	$387,032	(d)
Road Debt Service Fund	$338,234	(e)

(a) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by DCAD. See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(b) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(c) The District has authorized publication of a total district tax rate of $1.165 per $100 of assessed value for 2026.

(d) The Utility Debt Service Fund figure above includes 12 months of capitalized interest to deposit into the Utility Debt Service Fund on or about the day of closing of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Utility Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Utility Debt Service Fund are not available to make debt service payments on the District’s outstanding road bonds. See “DISTRICT TAX DATA – Tax Adequacy of Tax Revenue.”

(e) Neither Texas law nor the District's previous orders authorizing the road bonds requires that the District maintain any particular balance in the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds.

Estimated Overlapping Debt

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 the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which has not been reported. 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 Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Denton County	$748,685,000	0.07%	$536,815
Krum Independent School District	$217,363,000	7.02%	$15,255,158
Total Estimated Overlapping Debt			**$15,791,973**
The District (a)			$16,310,000
Total Direct and Estimated Overlapping Debt			**$32,101,973**

(a) Includes the Bonds and the Outstanding Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2021 through 2025 and includes certain information relative to the 2024 tax year. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Year	Taxable Valuation (a)	Tax Rate (b)	Tax Levy	Cumulative Tax Collections (c)	Year Ended September 30
2025	$148,673,732	$1.165	$1,732,049	99.52%	2026
2024	$119,533,564	$1.165	$1,392,566	100.00%	2025
2023	$102,615,109	$1.165	$1,195,466	100.00%	2024
2022	$27,727,481	$1.165	$323,025	100.00%	2023
2021	$16,498,520	$1.165	$192,208	100.00%	2022

(a) See “Analysis of Tax Base” herein.

(b) See “Tax Rate Distribution” herein.

(c) Represents cumulative collections as of August 5, 2026.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to $1.20 per $100 of assessed valuation at an election held on November 5, 2019. See “Tax Rate Distribution” herein.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

Fire Contract Tax

The District has the statutory authority to undertake fire-fighting activities after developing and adopting a fire-fighting plan which must be then approved by the voters of the District. A fire-fighting plan was approved by the voters of the District on May 2, 2020. In order to finance fire-fighting activities under this plan and pursuant to a certain amended and restated Fire Protection Agreement between the District and the County of Denton, Texas, the District levied a fire-service contract tax of $0.08 per $100 of assessed value for tax year 2025. See “Tax Rate Distribution” herein and “RISK FACTORS – Financing Fire Protection Facilities.”

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2022 through 2026.

	2026 (a)	2025	2024	2023	2022
Utility Debt Service	$0.370	$0.000	$0.000	$0.000	$0.000
Road Debt Service	$0.365	$0.400	$0.390	$0.210	$0.000
Fire Contract	$0.080	$0.080	$0.165	$0.165	$0.165
Maintenance/Operations	$0.350	$0.685	$0.610	$0.790	$1.000
Total	**$1.165**	**$1.165**	**$1.165**	**$1.165**	**$1.165**

(a) The District has authorized publication of a total district tax rate of $1.165 per $100 of assessed value for 2026.

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 May 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 Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2026 and the other information provided by this table were provided by DCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of DCAD.

Property Owner	Property Description	Property Value	% of Total
LGI Homes-Texas LLC (a)	Land and Improvement	$11,743,586	7.46%
RS Rental III-B LLC (a)	Land and Improvement	$3,676,053	2.33%
SFR Owner ML Borrower LLC (a)	Land and Improvement	$1,069,000	0.67%
Segavepo LLC	Land and Improvement	$1,064,000	0.67%
Second Avenue SFR Holdings III LLC	Land and Improvement	$1,046,000	0.66%
Homeowner	Land and Improvement	$957,000	0.60%
Homeowner	Land and Improvement	$954,000	0.60%
Lakewater LLC	Land and Improvement	$954,000	0.60%
Homeowner	Land and Improvement	$915,000	0.58%
Homeowner	Land and Improvement	$718,310	0.45%
TOTALS		**$23,096,949**	**14.62%**

(a) See "THE DEVELOPER," "RISK FACTORS – Dependence on Principal Taxpayers," "– Landowners/Developer Under No Obligation to the District" and "– Rental Homes."

Analysis of Tax Base

Based on information provided to the District by the Appraisal District and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2021 through 2026.

Year	Land	Improvement	Personal Property	Gross Valuations	Exemptions	Taxable Valuations
2026	$39,544,210	$122,363,703	$31,233,874	$193,141,787	$35,930,034	$157,211,753
2025	$39,417,796	$112,275,028	$508,602	$152,201,426	$3,527,694	$148,673,732
2024	$36,114,198	$84,768,481	$171,271	$121,053,950	$1,520,386	$119,533,564
2023	$36,087,851	$67,286,765	$861	$103,375,477	$760,368	$102,615,109
2022	$18,543,290	$9,285,982	$1,975	$27,831,247	$103,766	$27,727,481
2021	$16,472,497	$26,023 (a)	$0	$16,498,520	$0	$16,498,520

(a) Homebuilding in the District did not commence until May 2021. See "THE DISTRICT – Status of Residential Development."

Estimated Overlapping Taxes

The following table sets forth all 2025 taxes levied by overlapping taxing jurisdictions and includes the District's 2025 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Jurisdictions	2025 Tax Rate
Denton County	$0.185938
Krum Independent School District	$1.195200
Overlapping Taxes	**$1.381138**
The District	$1.165000
Total Direct & Overlapping Taxes	**$2.546138**

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the Utility System and no increase or decrease in assessed valuation over the 2026 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2050)..... $1,160,856

Requires a $0.78 debt service tax rate on the 2026 Certified Taxable Value at 95% collections $1,164,939

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 an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes that the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its System and for the payment of certain contractual obligations, including fire protection services, if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax" and "– Fire Contract Tax."

Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The 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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Denton Central Appraisal District ("DCAD" or the "Appraisal District") has the responsibility for appraising property for all taxing units within Denton County, including the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, 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; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the

maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

Tax Abatement

Denton County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Denton County, Krum Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by DCAD 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 Tax Code are to be based on 100% of market value, as such is defined in the Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The 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 market value. The Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Tax Code to act on each claimant's right to the designation individually. A

claimant may waive the special valuation as to taxation by some political subdivisions 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, open space land, and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

The Tax Code requires DCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in DCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by DCAD 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 DCAD 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 DCAD chooses to formally include such values on its appraisal roll.

The Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the 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 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.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition 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. Additionally, taxing units may bring suit against DCAD to compel compliance with the Tax Code.

The 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 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 October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected 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.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2025 tax rate. 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 for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other 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 (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION AND CONSOLIDATION

Annexation

The District does not lie within the extraterritorial jurisdiction of any city as of the date of this Official Statement and therefore is not subject to annexation at this time.

Consolidation

The District has the right to consolidate with other districts, and in connection therewith, to provide for the consolidation of its System with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues hall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from October 1, 2026, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2027, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Funds

The Bond Order confirms the District's Utility Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds attributable to water, sewer, and drainage, payable from taxes which may be issued in the future by the District. Amounts on deposit in the Utility Debt Service Fund may also be used to pay the fees and expenses of the Registrar. Upon closing of the Bonds, twelve (12) months of capitalized interest will be deposited into the Utility Debt Service Fund.

The District also maintains a Road Debt Service Fund that is not pledged to the Bonds. Funds in the Road Debt Service Fund are available only for principal and interest payments on debt attributable to roads, and such funds are not available to pay principal and interest on the Bonds.

Optional Redemption

The District reserves the right to redeem, prior to maturity the Bonds maturing on or after April 1, 2033, in whole or in part from time to time, on April 1, 2032, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method in integral multiples of $5,000. Notice of each exercise of the right of redemption will be given at least thirty days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners (the "Registered Owners") of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Order, 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, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Denton County, or any entity other than the District.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current tax 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 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 or 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 that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then 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 in the Bond Order 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 that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar" or "Registrar"). The District will maintain at least one Registrar, at whose office the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same

maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" below for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the 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 (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax, governmental charge, or other expenses payable in connection therewith.

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, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to hold them harmless. Upon the issuance of a new bond the District will require payment of taxes, governmental charges, and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted 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 un-matured 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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $133,084,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities and $199,626,000 of unlimited tax bonds for the purpose of refunding water, sewer, and drainage bonds previously issued; $64,802,000 of unlimited tax bonds for the purposes of providing road facilities and $97,203,000 of unlimited tax bonds for the purpose of refunding road bonds previously issued; and $21,454,411 of unlimited tax bonds for the purposes of providing fire protection facilities and $32,181,616 of unlimited tax bonds for the purpose of refunding fire protection bonds previously issued. The District could authorize additional amounts in the future.

Following the issuance of the Bonds, $124,439,000 of unlimited tax bonds for water, sewer and drainage facilities and $199,626,000 of unlimited tax bonds for refunding water, sewer, and drainage bonds; $56,902,000 of unlimited tax bonds for road facilities and $97,203,000 of unlimited tax bonds for refunding road bonds; and $21,454,411 of unlimited tax bonds for fire protection facilities and $32,181,616 of unlimited tax bonds for refunding fire protection bonds will remain authorized, but unissued. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Further, the outstanding principal amount of any road bonds issued by the District may not exceed an amount equal to twenty-five percent of the value of assessed real property in the District.

The District is authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District has prepared a master plan and has conducted a fire protection bond election that authorized $21,454,411 of unlimited tax fire protection bonds at an election held on May 2, 2020. Additionally, pursuant to the Amended and Restated Fire Protection Agreement between the District

and Denton County, Texas, the County will provide fire-fighting, emergency medical, first responder, and rescue services to property located within the District. The Agreement requires the District to levy a fire tax to cover the costs of the County in providing such services. Additionally, the Agreement requires the District, or the Developer on behalf of the District, in the future to finance the acquisition and construction of certain fire protection facilities and equipment, including the issuance of bonds payable from taxes for such facilities and equipment. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. See "RISK FACTORS – Financing Fire Protection Facilities."

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interest of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority of the aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may: (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds; (b) give preference of any Bond over any other Bond; or (c) extend any waiver of default to subsequent defaults. In addition, the 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.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, maturity value and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the "Book-Entry-Only System" has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or maturity value, as the case may be, of such maturity, and will be deposited with DTC.

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

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Certificate 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 fewer 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).

All 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 detailed 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 Bonds 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable; the District, the District's Financial Advisor, and the Underwriter do not take any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

TAX MATTERS

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) 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 (as defined in Section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "Service") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the Service. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Service. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Service positions with which the District legitimately disagrees, may not be practicable. Any action of the Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Proposed Tax Legislation

Proposed, and if enacted, tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes an "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is entitled to be excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Qualified Tax-Exempt Obligations

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code and represents that (i) the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed $10,000,000 and (ii) the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

Pursuant to Section 265 of the Code, qualifying financial institutions may be permitted to deduct that portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion of Bond Counsel will further address the matters described above under "TAX MATTERS." Such opinion will express no opinion with respect to the sufficiency of, security for, or marketability of the Bonds.

Legal Review

In its capacity as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "THE BONDS," "TAX MATTERS," and "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the legal matters and documents referred to therein. Bond Counsel has not, however, independently verified any of the other 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 any of the other information contained herein. 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, other than the matters discussed immediately above.

Sanford Kuhl Hagan Kugle Parker Kahn LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No Material Adverse Change

The obligations of the Underwriter 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.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that no litigation has been filed and there is not pending, and, to the actual knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the then present officers of the Board.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," "THE DISTRICT – Land Uses and Status of Land Development," "THE DISTRICT – Status of Residential Development" (except for house count data which has been provided by the Developer), and "THE ROADS" has been provided by Pape-Dawson Engineers, Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by DCAD and by Utility Tax Service, LLC, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of April 30, 2026, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's April 30, 2026, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, Texas, 77056.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above, and certain certificates of representation to be provided to the Board, 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 the 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 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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter 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 Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Big Sky Municipal Utility District of Denton County as of the date shown on the cover page

/s/ Andrew Mizerek
President, Board of Directors
Big Sky Municipal Utility District of Denton County

/s/ Kenny Bounds
Secretary, Board of Directors
Big Sky Municipal Utility District of Denton County

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED APRIL 30, 2026

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Sky Municipal Utility District of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Big Sky Municipal Utility District of Denton County (the "District") as of and for the year ended April 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of April 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Big Sky Municipal Utility District of Denton County

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

August 5, 2026

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2026

Management's discussion and analysis of the financial performance of Big Sky Municipal Utility District of Denton County (the "District") provides an overview of the District's financial activities for the fiscal year ended April 30, 2026. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for financial resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $4,053,929 as of April 30, 2026. A portion of the District's net position reflects its net investment in capital assets which includes leased assets as well as roads, water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Statement of Net Position for the current and prior fiscal years.

	Summary of Changes in the Statement of Net Position		
	2026	2025	Change Positive (Negative)
Current and Other Assets	$ 2,123,734	$ 1,859,798	$ 263,936
Right-to-Use Asset (Net of Amortization)	1,651,116	1,692,049	(40,933)
Capital Assets (Net of Depreciation)	28,607,801	22,989,202	5,618,599
Total Assets	$ 32,382,651	$ 26,541,049	$ 5,841,602
Due to Developer	$ 25,081,054	$ 20,337,183	$ (4,743,871)
Lease Payable	944,264	1,147,440	203,176
Bond Payable	10,170,314	7,818,942	(2,351,372)
Other Liabilities	240,948	397,821	156,873
Total Liabilities	$ 36,436,580	$ 29,701,386	$ (6,735,194)
Net Position:			
Net Investment in Capital Assets	$ (4,722,256)	$ (3,365,264)	$ (1,356,992)
Restricted	395,875	293,574	102,301
Unrestricted	272,452	(88,647)	361,099
Total Net Position	$ (4,053,929)	$ (3,160,337)	$ (893,592)

The following table provides a summary of the District's operations for the current and prior fiscal years.

	Summary of Changes in the Statement of Activities		
	2026	2025	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,724,964	$ 1,397,719	$ 327,245
Service Revenues	858,817	798,485	60,332
Other Revenues	92,002	81,354	10,648
Total Revenues	$ 2,675,783	$ 2,277,558	$ 398,225
Total Expenses	3,569,375	2,229,765	(1,339,610)
Change in Net Position	$ (893,592)	$ 47,793	$ (941,385)
Net Position, Beginning of Year	(3,160,337)	(3,208,130)	47,793
Net Position, End of Year	$ (4,053,929)	$ (3,160,337)	$ (893,592)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2026, were $1,889,768, an increase of $445,804 from the prior year.

The General Fund fund balance increased by $372,165, primarily due to property tax revenues and service revenues exceeding operating, professional and administrative costs during the year.

The Debt Service Fund fund balance increased by $116,230, primarily due to the structure of the District's outstanding debt and receipt of capitalized interest from the Series 2025 Utility Bonds.

The Capital Projects Fund fund balance decreased by $42,591. The District used proceeds received from the sale of its Series 2025 Utility Bonds and surplus bond proceeds from a prior bond issue to reimburse its developer (see Note 12).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted a budget for the General Fund for the current fiscal year. The budget was not amended during the year. Actual revenues were $287,264 more than budgeted revenues and actual expenditures were $201,236 more than budgeted expenditures which resulted in a positive variance of $86,028. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets and accumulated depreciation as of year end are summarized in the following table. Current year additions to capital assets included paving serving Big Sky Estates, Phase 2 and the water plant facilities expansion.

Capital Assets At Year-End

	2026	2025	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,191,112	$ 1,191,112	$
Capital Assets Subject to Depreciation:			
Water System	12,361,853	7,916,515	4,445,338
Wastewater System	5,132,111	5,132,111	
Drainage System	5,425,140	5,425,140	
Roads	7,215,947	5,210,828	2,005,119
Less Accumulated Depreciation	(2,718,362)	(1,886,504)	(831,858)
Total Net Capital Assets	$ 28,607,801	$ 22,989,202	$ 5,618,599

LEASED FACILITIES

The District entered into a lease agreement for a wastewater treatment plant as further discussed in Note 9. The District recorded a right-to-use asset and lease liability in the government-wide financial statements as required by GASB Statement No. 87.

LONG-TERM DEBT

As of April 30, 2026, the District recorded an amount due to Developer of $25,081,054 which consists of payments made by the Developer for utilities and road infrastructure as well as District operating advances.

At the end of the current fiscal year, the District had total bond debt payable of $10,165,000. The change in bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, May 1, 2025	$ 7,810,000
Add: Bond Sale	2,500,000
Less: Bond Principal Paid	(145,000)
Bond Debt Payable, April 30, 2026	$ 10,165,000

The District's Series 2023 Road Bonds and Series 2025 Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty. The Series 2022 Road Bonds are not rated. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Big Sky Municipal Utility District of Denton County, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Blvd, Suite 2650, Houston, TX 77056.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2026

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 186,927	$ 440,270
Investments	1,264,609	
Receivables:		
Property Taxes	23,884	12,488
Service Accounts	147,811	
Due from Other Funds	13,264	
Prepaid Costs	18,150	
Right-to-Use Asset (Net of Accumulated Amortization)		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 1,654,645	$ 452,758
LIABILITIES		
Accounts Payable	$ 150,883	$ 265
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		13,264
Security Deposits	46,446	
Long-Term Liabilities:		
Lease Payable, Due Within One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 197,329	$ 13,529
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 23,884	$ 12,488
FUND BALANCES		
Nonspendable: Prepaid Costs	$ 18,150	$
Restricted for Authorized Construction		
Restricted for Debt Service		426,741
Assigned for Budgeted Deficit	119,602	
Unrestricted	1,295,680	
TOTAL FUND BALANCES	$ 1,433,432	$ 426,741
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,654,645	$ 452,758
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 29,595	$ 656,792	$	$ 656,792
	1,264,609		1,264,609
	36,372		36,372
	147,811		147,811
	13,264	(13,264)	
	18,150		18,150
		1,651,116	1,651,116
		1,191,112	1,191,112
		27,416,689	27,416,689
$ 29,595	$ 2,136,998	$ 30,245,653	$ 32,382,651
$	$ 151,148	$	$ 151,148
		43,354	43,354
		25,081,054	25,081,054
	13,264	(13,264)	
	46,446		46,446
		944,264	944,264
		155,000	155,000
		10,015,314	10,015,314
$ -0-	$ 210,858	$ 36,225,722	$ 36,436,580
$ -0-	$ 36,372	$ (36,372)	$ -0-
$	$ 18,150	$ (18,150)	$
29,595	29,595	(29,595)	
	426,741	(426,741)	
	119,602	(119,602)	
	1,295,680	(1,295,680)	
$ 29,595	$ 1,889,768	$ (1,889,768)	$ -0-
$ 29,595	$ 2,136,998		
		$ (4,722,256)	$ (4,722,256)
		395,875	395,875
		272,452	272,452
		$ (4,053,929)	$ (4,053,929)

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

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
APRIL 30, 2026

Total Fund Balances - Governmental Funds		$ 1,889,768
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and right-to-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		30,258,917
Deferred inflows of resources related to property taxes receivable for the 2025 tax levy became part of recognized revenue in the governmental activities of the District.		36,372
Accrued interest on long-term liabilities is not payable with current financial resources and, therefore, is not reported in the governmental funds.		(43,354)
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (25,081,054)	
Lease Payable	(944,264)	
Bonds Payable	(10,170,314)	(36,195,632)
Total Net Position - Governmental Activities		$ (4,053,929)

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

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2026

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 1,143,426	$ 597,704
Water Service	274,953	
Wastewater Service	298,501	
Garbage Service	162,550	
Fire Service	86,901	
Connection and Other Service Fees	35,912	
Penalty, Interest and Other Revenues	61,701	28,403
TOTAL REVENUES	$ 2,063,944	$ 626,107
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 150,736	$ 2,408
Contracted Services	547,500	21,302
Utilities	81,262	
Repairs and Maintenance	509,075	
Depreciation		
Amortization		
Other	185,406	9,428
Developer Reimbursements		
Developer Interest and Operating Advances		
Debt Service:		
Bond Principal and Lease Principal	203,176	145,000
Lease Interest	14,624	
Bond Interest		447,389
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 1,691,779	$ 625,527
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 372,165	$ 580
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	$	$ 115,650
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	$ -0-	$ 115,650
NET CHANGE IN FUND BALANCES	$ 372,165	$ 116,230
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2025	1,061,267	310,511
FUND BALANCES/NET POSITION - APRIL 30, 2026	$ 1,433,432	$ 426,741

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,741,130	$ (16,166)	$ 1,724,964
	274,953		274,953
	298,501		298,501
	162,550		162,550
	86,901		86,901
	35,912		35,912
1,898	92,002		92,002
$ 1,898	$ 2,691,949	$ (16,166)	$ 2,675,783
$ 55,266	$ 208,410	$	$ 208,410
	568,802		568,802
	81,262		81,262
	509,075		509,075
		831,858	831,858
		40,933	40,933
289	195,123		195,123
1,706,587	1,706,587	(1,706,587)	
411,867	411,867		411,867
	348,176	(348,176)	
	14,624		14,624
	447,389	8,589	455,978
251,443	251,443		251,443
$ 2,425,452	$ 4,742,758	$ (1,173,383)	$ 3,569,375
$ (2,423,554)	$ (2,050,809)	$ 1,157,217	$ (893,592)
$ 2,384,350	$ 2,500,000	$ (2,500,000)	$
(31,667)	(31,667)	31,667	
28,280	28,280	(28,280)	
$ 2,380,963	$ 2,496,613	$ (2,496,613)	$ -0-
$ (42,591)	$ 445,804	$ (445,804)	$
		(893,592)	(893,592)
72,186	1,443,964	(4,604,301)	(3,160,337)
$ 29,595	$ 1,889,768	$ (5,943,697)	$ (4,053,929)

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

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2026

Net Change in Fund Balances - Governmental Funds	$	445,804
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(16,166)
Governmental funds do not account for depreciation and amortization. In governmental activities, capital assets are depreciated and right-to-use assets are amortized over the estimated useful lives.		(872,791)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases.		1,706,587
Governmental funds report bond and lease repayments as expenditures. However, in the Statement of Net Position, the principal portion of bond and lease payments decrease the related long-term liabilities.		348,176
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year end.		(8,589)
Governmental funds report bond proceeds, including bond discounts and bond premiums, as other financing sources and uses. Bonds payable, net of unamortized bond premiums and bond discounts, are recorded as long-term liabilities in governmental activities.		(2,496,613)
Change in Net Position - Governmental Activities	$	(893,592)

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

NOTE 1. CREATION OF DISTRICT

Big Sky Municipal Utility District of Denton County was created on October 17, 2016, as a conservation and reclamation district and political subdivision of the State of Texas organized and operating pursuant to Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code (the "District"). The District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, and fire protection services for its residents.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

These classifications are defined as follows:

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

Debt Service Fund – To account for ad valorem taxes restricted, committed or assigned for servicing bond debt and the costs of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At year end, the Debt Service Fund owed the General Fund $13,264 for maintenance tax collections.

Pensions

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include certain utility and road infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions and improvements that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Assets are capitalized if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over the estimated useful lives ranging from 10 to 45 years.

Right-to-Use Assets

In accordance with GASB Statement No. 87, the District has recorded its leased wastewater treatment plant as a right-to-use asset (see Note 9). The right-to-use asset is being amortized over 45 years using the straight-line method of amortization.

Budgeting

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

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned $119,602 of its General Fund fund balance to cover the projected budget deficit during the fiscal year ending in 2027.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2022 Road	Series 2023 Road	Series 2025 Utility
Amount Outstanding – April 30, 2026	$ 4,815,000	$ 2,850,000	$ 2,500,000
Interest Rates	4.50% - 6.00%	5.00% - 8.00%	4.00% - 6.50%
Maturity Dates - Serially Beginning/Ending	April 1, 2027/2050	April 1, 2027/2051	April 1, 2028/2053
Interest Payment Dates	October 1/ April 1	October 1/ April 1	October 1/ April 1
Callable Dates	April 1, 2027*	April 1, 2028*	April 1, 2031*

* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2022 Road term bonds due April 1, 2034, 2036, 2038, 2040, 2042, 2045, and 2050 are subject to mandatory redemption by random selection beginning April 1, 2032, 2035, 2037, 2039, 2041, 2043, and 2046, respectively. Series 2023 Road term bonds due April 1, 2030, 2032, 2034, 2036, 2038, 2040, 2043 and 2046 are subject to mandatory redemption by random selection beginning April 1, 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2044, respectively. Series 2025 Utility term bonds due April 1, 2037, 2039, 2041, 2043, 2045, 2047, 2049, 2051 and 2053 are subject to mandatory redemption by random selection beginning April 1, 2036, 2038, 2040, 2042, 2044, 2046, 2048, 2050 and 2052, respectively.

The District has the following unused bond authorizations as of year-end: $130,584,000 of unlimited tax bonds for water, sewer and drainage facilities; $199,626,000 of unlimited tax bonds for refunding water, sewer, and drainage bonds; $56,902,000 of unlimited tax bonds for road facilities; $97,203,000 of unlimited tax bonds for refunding road bonds; $21,454,411 of unlimited tax bonds for fire protection facilities; and $32,181,616 of unlimited tax bonds for refunding fire protection bonds.

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

	May 1, 2025	Additions	Retirements	April 30, 2026
Bonds Payable	$ 7,810,000	$ 2,500,000	$ 145,000	$ 10,165,000
Bond Discounts	(46,877)	(31,667)	(2,356)	(76,188)
Bond Premiums	55,819	28,280	2,597	81,502
Bonds Payable, Net	$ 7,818,942	$ 2,496,613	$ 145,241	$ 10,170,314

Amount Due Within One Year	$ 155,000
Amount Due After One Year	10,015,314
Bonds Payable, Net	$ 10,170,314

NOTE 3. LONG-TERM DEBT (Continued)

As of April 30, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 155,000	$ 520,250	$ 675,250
2028	215,000	509,850	724,850
2029	225,000	497,250	722,250
2030	240,000	484,025	724,025
2031	250,000	469,550	719,550
2032-2036	1,470,000	2,147,275	3,617,275
2037-2041	1,915,000	1,749,987	3,664,987
2042-2046	2,480,000	1,217,838	3,697,838
2047-2051	2,885,000	502,363	3,387,363
2052-2053	330,000	23,750	353,750
	$ 10,165,000	$ 8,122,138	$ 18,287,138

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended April 30, 2026, the District levied an ad valorem debt service tax rate of $0.40 per $100 of assessed valuation, which resulted in a tax levy of $595,344 on the adjusted taxable valuation of $148,836,131 for the 2025 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $656,792 and the bank balance was $588,540. Of the bank balance, $428,325 was covered by FDIC insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third-party depository. The District was not exposed to custodial credit risk at year-end. Cash balances at year-end are summarized in the following table:

	Cash
GENERAL FUND	$ 186,927
DEBT SERVICE FUND	440,270
CAPITAL PROJECTS FUND	29,595
TOTAL DEPOSITS	$ 656,792

Investments

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of April 30, 2026, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 1,264,609	$ 1,264,609

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2026, the District's investment in Texas CLASS was rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

NOTE 6. CAPITAL ASSETS

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

Capital Assets Not Being Depreciated	May 1, 2025	Increases	Decreases	April 30, 2026
Land and Land Improvements	$ 1,191,112	$ - 0 -	$ - 0 -	$ 1,191,112
Capital Assets Subject to Depreciation				
Water System	$ 7,916,515	$ 4,445,338	$	$ 12,361,853
Wastewater System	5,132,111			5,132,111
Drainage System	5,425,140			5,425,140
Roads	5,210,828	2,005,119		7,215,947
Total Capital Assets Subject to Depreciation	$ 23,684,594	$ 6,450,457	$ - 0 -	$ 30,135,051
Less Accumulated Depreciation				
Water System	$ 576,718	$ 184,042	$	$ 760,760
Wastewater System	465,909	114,047		579,956
Drainage System	128,826	120,559		249,385
Roads	715,051	413,210		1,128,261
Total Accumulated Depreciation	$ 1,886,504	$ 831,858	$ - 0 -	$ 2,718,362
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 21,798,090	$ 5,618,599	$ - 0 -	$ 27,416,689
Total Capital Assets, Net of Accumulated Depreciation	$ 22,989,202	$ 5,618,599	$ - 0 -	$ 28,607,801

NOTE 7. MAINTENANCE TAX

On November 5, 2019, the voters of the District approved the levy of a maintenance tax in an amount not to exceed $1.20 per $100 of assessed valuation of taxable property within the District which is to be used by the General Fund to pay operating and administrative costs of the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of $0.685 per $100 of assessed valuation, which resulted in a tax levy of $1,019,527 on the adjusted taxable valuation of $148,836,131 for the 2025 tax year.

NOTE 8. RISK MANAGEMENT

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

NOTE 9. WASTEWATER TREATMENT PLANT LEASE

On May 12, 2020, the District executed an equipment lease agreement with AUC Group, Inc. for the lease of a 226,667 gallons-per-day wastewater treatment plant, phase 1. Right-to-use assets, current year amortization expense and accumulated amortization are summarized below:

	May 1, 2025	Increases	Decreases	April 30, 2026
Right-to-use Asset Subject to Amortization				
Wastewater Treatment Plant	$ 1,841,987	$ - 0 -	$ - 0 -	$ 1,841,987
Less Accumulated Amortization				
Wastewater Treatment Plant	$ 149,938	$ 40,933	$ - 0 -	$ 190,871
Right-to-use Asset Net of Accumulated Amortization	$ 1,692,049	$ (40,933)	$ - 0 -	$ 1,651,116

The 60-month lease accrues interest at 8% annually with monthly payments of $18,150. The District made 12 lease payments during the current fiscal year which totaled $217,800, of which $203,176 applied to principal and $14,624 applied to interest. The change in lease liability during the current fiscal year are summarized in the following table:

Lease Payable, May 1, 2025	$ 1,147,440
Less: Lease Principal Paid	(203,176)
Lease Payable, April 30, 2026	$ 944,264

Future lease payments, including the purchase option price at the conclusion of the 60-month lease of $872,857, are summarized below:

Fiscal Year	Principal	Interest	Total
2027	$ 944,264	$ 1,193	$ 945,457

NOTE 10. FIRE PROTECTION AGREEMENT

On December 18, 2019, the District entered into an agreement with the City of Krum, Texas (the "City") for the provision of fire protection services to land located within the District's boundaries. The agreement became effective on May 2, 2020, which was the date the District held its successful Fire Plan Election. At said election, voters approved the issuance of bonds up to $21,454,411 for fire protection facilities and equipment and $32,181,616 for refunding of such bonds. Voters also approved the levy and collection of a fire tax of $0.165 per $100 of assessed valuation of taxable property within the District. The agreement was assigned to the County of Denton, Texas (the "County") on October 1, 2025.

NOTE 10. FIRE PROTECTION AGREEMENT (Continued)

The County and the District entered into an Amended and Restated Fire Protection Agreement dated October 28, 2025 (the "Agreement") to finance the construction and acquisition of fire protection facilities and equipment and for the provision of fire-fighting, emergency medical, first responder, and rescue services to be provided by the County to property located within the District ("Fire and Emergency Services"). Pursuant to the Agreement, the District, or the Developer on behalf of the District, will pay to the County an estimated $2,400,000 for various firefighting and emergency services equipment, and the District, or the Developer on behalf of the District, will convey approximately 2.9 acres of land within the District to the County to operate, maintain, and equip a fire station (collectively the "Fire Facilities"). The Agreement requires that the District pay to the County an annual fire fee equivalent to $0.16 per $100 of assessed valuation in the District. For tax year 2025, the District levied a $0.08 fire tax and funded the remainder annual fee pursuant to a fee on the customer water and sewer service bill.

NOTE 11. UNREIMBURSED DEVELOPER COSTS

The District and the Developers have entered into agreements which require the Developers to fund operating advances as well as costs associated with the construction of utilities, roads, and fire protection infrastructure. Reimbursement to the Developers is contingent upon approval from the Commission and the future sale of bonds. Unreimbursed developer cost activity for the current fiscal year is summarized in the following table:

Due to Developer, beginning of year	$	20,337,183
Current year additions		6,493,158
Current year reimbursements		(1,749,287)
Due to Developer, end of year	$	25,081,054

NOTE 12. BOND SALE AND SUBSEQUENT EVENT

On December 18, 2025, the District issued its $2,500,000 Series 2025 Unlimited Tax Bonds. Proceeds were used to reimburse developer for advancing funds to construct a water treatment plant and wastewater treatment plant serving the District; (2) reimburse the developer for operating advances; (3) fund developer interest related to the advancement of funds for certain construction costs; (4) fund 12 months of capitalized interest on the Bonds; and (5) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds.

During the 4th quarter of 2026, the District intends to issue its $6,145,000 Series 2026 Unlimited Tax (Utility) Bonds. Proceeds will be used to reimburse the developer for advancing funds to construct a water treatment plant, wastewater treatment plant and lift station as well as operating advances. Bond proceeds will also fund capitalized interest and pay bond issuance costs.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2026

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED APRIL 30, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 906,880	$ 1,143,426	$ 236,546
Water Service	293,700	274,953	(18,747)
Wastewater Service	241,000	298,501	57,501
Garbage Service	141,700	162,550	20,850
Fire Service	100,500	86,901	(13,599)
Connection and Other Service Revenues	23,700	35,912	12,212
Penalty, Interest and Other Revenues	69,200	61,701	(7,499)
TOTAL REVENUES	$ 1,776,680	$ 2,063,944	$ 287,264
EXPENDITURES			
Service Operations:			
Professional Fees	$ 128,000	$ 150,736	$ (22,736)
Contracted Services	480,880	547,500	(66,620)
Utilities	80,100	81,262	(1,162)
Repairs and Maintenance	340,000	509,075	(169,075)
Other	243,763	185,406	58,357
Lease Principal and Interest	217,800	217,800	
TOTAL EXPENDITURES	$ 1,490,543	$ 1,691,779	$ (201,236)
NET CHANGE IN FUND BALANCE	$ 286,137	$ 372,165	$ 86,028
FUND BALANCE - MAY 1, 2025	1,061,267	1,061,267	
FUND BALANCE - APRIL 30, 2026	$ 1,347,404	$ 1,433,432	$ 86,028

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

APRIL 30, 2026

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2026

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order approved April 1, 2026.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 30.00	5,000	N	$ 2.00 $ 3.00	5,001 to 10,000 10,001 and up
WASTEWATER:	$ 40.00	-0-	N	$ 3.00	Per 1,000 gallons
SURCHARGE:					
Conservation District Fee	$ 0.10	Per 1,000 gallons			
Trash	$ 30.39	Per Month, including taxes			

The District also charges a TCEQ regulatory fee of 1% of water and wastewater charges.

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $40.00 Wastewater: $70.00 Surcharge: $32.49

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2026

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	511	507	x 1.0	507
1"	14	14	x 2.5	35
1½"	2	2	x 5.0	10
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 Connections	527	523		552
Total Wastewater Connections	510	506	x 1.0	506

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

Gallons pumped into system:	46,092,000	Water Accountability Ratio: 102.3% (Gallons billed/Gallons pumped)
Gallons billed to customers:	47,158,000	

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2026

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

Does the District have Debt Service standby fees? Yes ___ No X

Does the District have Operation and Maintenance standby fees? Yes ___ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely _____ Partly _____ Not at all X

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2026

PROFESSIONAL FEES:		
Auditing	$	17,000
Engineering		21,632
Legal		110,904
Financial Advisor		1,200
TOTAL PROFESSIONAL FEES	$	150,736
CONTRACTED SERVICES:		
Bookkeeping	$	16,000
Operations and Billing		149,363
Garbage Services		152,444
Fire Service		229,693
TOTAL CONTRACTED SERVICES	$	547,500
UTILITIES	$	81,262
REPAIRS AND MAINTENANCE	$	509,075
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	6,661
Insurance		36,087
Website, Office Supplies, Postage and Other		15,503
TOTAL ADMINISTRATIVE EXPENDITURES	$	58,251
OTHER EXPENDITURES:		
Chemicals	$	60,623
Laboratory Fees		45,341
Connection and Inspection Fees		10,751
Permit, Pumpage, and Assessment Fees		10,440
TOTAL OTHER EXPENDITURES	$	127,155
DEBT SERVICE:		
Lease Principal	$	203,176
Lease Interest		14,624
TOTAL DEBT SERVICE	$	217,800
TOTAL EXPENDITURES	$	1,691,779

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
INVESTMENTS
APRIL 30, 2026

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 1,264,609	$ -0-

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2026

	Maintenance Taxes		Debt Service Taxes		Fire Taxes	
TAXES RECEIVABLE - MAY 1, 2025	$ 27,509		$ 17,588		$ 7,441	
Adjustments to Beginning Balance	(4,965)	$ 22,544	(2,740)	$ 14,848	(1,271)	$ 6,170
Original 2025 Tax Levy	$ 1,024,959		$ 598,516		$ 119,703	
Adjustment to 2025 Tax Levy	(5,432)	1,019,527	(3,172)	595,344	(634)	119,069
TOTAL TO BE ACCOUNTED FOR		$1,042,071		$ 610,192		$ 125,239
TAX COLLECTIONS:						
Prior Years	$ 22,544		$ 14,848		$ 6,170	
Current Year	998,141	1,020,685	582,856	597,704	116,571	122,741
TAXES RECEIVABLE - APRIL 30, 2026		$ 21,386		$ 12,488		$ 2,498
TAXES RECEIVABLE BY YEAR:						
2025		$ 21,386		$ 12,488		$ 2,498

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2026

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	$ 39,417,795	$ 36,114,198	$ 36,087,851	$ 18,543,290
Improvements	113,154,053	84,792,242	67,330,453	9,285,982
Personal Property	508,602	171,271	617	1,975
Exemptions	(4,244,319)	(920,690)	(475,511)	(103,766)
TOTAL PROPERTY VALUATIONS	$ 148,836,131	$ 120,157,021	$ 102,943,410	$ 27,727,481
TAX RATES PER $100 VALUATION:				
Fire Service	$ 0.080	$ 0.165	$ 0.165	$ 0.165
Debt Service	0.400	0.390	0.210	0.000
Maintenance	0.685	0.610	0.790	1.000
TOTAL TAX RATES PER $100 VALUATION	$ 1.165	$ 1.165	$ 1.165	$ 1.165
ADJUSTED TAX LEVY*	$ 1,733,940	$ 1,399,829	$ 1,199,291	$ 323,026
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.90 %	100.00 %	100.00 %	100.00 %

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

Maintenance Tax – Maximum tax rate of $1.20 per $100 assessed valuation approved by voters on November 5, 2019.

Fire Tax – The Fire tax rate of $0.165 per $100 assessed valuation was approved by voters on May 2, 2020.

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2026

Due During Fiscal Years Ending April 30	SERIES-2022 ROAD		
	Principal Due April 1	Interest Due October 1/ April 1	Total
2027	$ 100,000	$ 254,525	$ 354,525
2028	110,000	248,525	358,525
2029	115,000	243,575	358,575
2030	120,000	238,400	358,400
2031	125,000	232,700	357,700
2032	135,000	226,762	361,762
2033	140,000	220,012	360,012
2034	150,000	213,012	363,012
2035	155,000	205,513	360,513
2036	165,000	197,763	362,763
2037	175,000	189,512	364,512
2038	185,000	180,325	365,325
2039	190,000	170,612	360,612
2040	205,000	160,638	365,638
2041	215,000	149,875	364,875
2042	225,000	138,588	363,588
2043	235,000	126,775	361,775
2044	250,000	113,850	363,850
2045	265,000	100,100	365,100
2046	280,000	85,525	365,525
2047	295,000	70,125	365,125
2048	310,000	53,900	363,900
2049	325,000	36,850	361,850
2050	345,000	18,975	363,975
2051			
2052			
2053			
	$ 4,815,000	$ 3,876,437	$ 8,691,437

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2026

	SERIES-2023 ROAD		
Due During Fiscal Years Ending April 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2027	$ 55,000	$ 150,075	$ 205,075
2028	55,000	145,675	200,675
2029	60,000	141,275	201,275
2030	65,000	136,475	201,475
2031	70,000	131,275	201,275
2032	70,000	127,513	197,513
2033	75,000	123,750	198,750
2034	80,000	120,000	200,000
2035	85,000	116,000	201,000
2036	90,000	111,750	201,750
2037	95,000	107,250	202,250
2038	100,000	102,500	202,500
2039	105,000	97,500	202,500
2040	110,000	92,250	202,250
2041	115,000	86,750	201,750
2042	125,000	81,000	206,000
2043	130,000	74,750	204,750
2044	140,000	68,250	208,250
2045	145,000	61,250	206,250
2046	155,000	54,000	209,000
2047	165,000	46,250	211,250
2048	175,000	38,000	213,000
2049	185,000	29,250	214,250
2050	195,000	20,000	215,000
2051	205,000	10,250	215,250
2052			
2053			
	$ 2,850,000	$ 2,273,038	$ 5,123,038

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2026

	SERIES-2025 UTILITY		
Due During Fiscal Years Ending April 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2027	$	$ 115,650	$ 115,650
2028	50,000	115,650	165,650
2029	50,000	112,400	162,400
2030	55,000	109,150	164,150
2031	55,000	105,575	160,575
2032	60,000	102,000	162,000
2033	60,000	99,600	159,600
2034	65,000	97,200	162,200
2035	70,000	94,600	164,600
2036	70,000	91,800	161,800
2037	75,000	89,000	164,000
2038	80,000	86,000	166,000
2039	85,000	82,800	167,800
2040	90,000	79,400	169,400
2041	90,000	75,575	165,575
2042	95,000	71,750	166,750
2043	100,000	67,475	167,475
2044	105,000	62,975	167,975
2045	110,000	58,250	168,250
2046	120,000	53,300	173,300
2047	125,000	47,900	172,900
2048	130,000	42,275	172,275
2049	135,000	36,100	171,100
2050	145,000	29,688	174,688
2051	150,000	22,800	172,800
2052	160,000	15,675	175,675
2053	170,000	8,075	178,075
	$ 2,500,000	$ 1,972,663	$ 4,472,663

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2026

Due During Fiscal Years Ending April 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 155,000	$ 520,250	$ 675,250
2028	215,000	509,850	724,850
2029	225,000	497,250	722,250
2030	240,000	484,025	724,025
2031	250,000	469,550	719,550
2032	265,000	456,275	721,275
2033	275,000	443,362	718,362
2034	295,000	430,212	725,212
2035	310,000	416,113	726,113
2036	325,000	401,313	726,313
2037	345,000	385,762	730,762
2038	365,000	368,825	733,825
2039	380,000	350,912	730,912
2040	405,000	332,288	737,288
2041	420,000	312,200	732,200
2042	445,000	291,338	736,338
2043	465,000	269,000	734,000
2044	495,000	245,075	740,075
2045	520,000	219,600	739,600
2046	555,000	192,825	747,825
2047	585,000	164,275	749,275
2048	615,000	134,175	749,175
2049	645,000	102,200	747,200
2050	685,000	68,663	753,663
2051	355,000	33,050	388,050
2052	160,000	15,675	175,675
2053	170,000	8,075	178,075
	$ 10,165,000	$ 8,122,138	$ 18,287,138

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2026

Description	Original Bonds Issued	Bonds Outstanding May 1, 2025
Big Sky Municipal Utility District of Denton County Unlimited Tax Road Bonds - Series 2022	$ 5,000,000	$ 4,910,000
Big Sky Municipal Utility District of Denton County Unlimited Tax Road Bonds - Series 2023	2,900,000	2,900,000
Big Sky Municipal Utility District of Denton County Unlimited Tax Bonds - Series 2025	2,500,000	
TOTAL	$ 10,400,000	$ 7,810,000

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Fire Protection Refunding Bonds
Amount Authorized by Voters	$ 199,626,000	$ 97,203,000	$ 32,181,616
Amount Issued			
Remaining to be Issued	$ 199,626,000	$ 97,203,000	$ 32,181,616

Debt Service Fund cash balance as of April 30, 2026:	$ 440,270
Average annual debt service payment for remaining term of all bond debt:	$ 677,301

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	April 30, 2026	Paying Agent
$	$ 95,000	$ 260,225	$ 4,815,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	154,075	2,850,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
2,500,000		33,089	2,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 2,500,000	$ 145,000	$ 447,389	$ 10,165,000	

Water, Sewer Drainage Bonds	Road Bonds	Fire Protection Bonds
$ 133,084,000	$ 64,802,000	$ 21,454,411
(2,500,000)	(7,900,000)	
$ 130,584,000	$ 56,902,000	$ 21,454,411

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 1,143,426	$ 919,356	$ 991,600
Water Service	274,953	277,676	190,702
Wastewater Service	298,501	243,311	184,876
Garbage Service	162,550	139,604	103,242
Fire Service	86,901	100,403	79,146
Connection and Other Service Revenues	35,912	37,491	91,511
Penalty, Interest and Other Revenues	61,701	51,953	23,422
TOTAL REVENUES	$ 2,063,944	$ 1,769,794	$ 1,664,499
EXPENDITURES			
Professional Fees	$ 150,736	$ 97,301	$ 122,731
Contracted Services	547,500	461,672	402,094
Utilities	81,262	84,581	74,579
Repairs and Maintenance	509,075	362,683	329,239
Other	185,406	225,161	235,631
Capital Outlay			
Lease Principal and Interest	217,800	217,800	217,800
TOTAL EXPENDITURES	$ 1,691,779	$ 1,449,198	$ 1,382,074
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 372,165	$ 320,596	$ 282,425
OTHER FINANCING SOURCES (USES)			
Developer Advances	$	$	$
Lease Proceeds			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 372,165	$ 320,596	$ 282,425
BEGINNING FUND BALANCE	1,061,267	740,671	458,246
ENDING FUND BALANCE	$ 1,433,432	$ 1,061,267	$ 740,671

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 289,716	$ 221,691	55.4 %	52.0 %	59.5 %	36.6 %	53.3 %
155,248	42,287	13.3	15.7	11.5	19.6	10.2
141,015	27,717	14.5	13.7	11.1	17.8	6.7
66,818	7,971	7.9	7.9	6.2	8.5	1.9
57,393	14,584	4.2	5.7	4.8	7.3	3.5
62,852	98,417	1.7	2.1	5.5	8.0	23.7
17,474	2,837	3.0	2.9	1.4	2.2	0.7
$ 790,516	$ 415,504	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 99,980	$ 55,281	7.3 %	5.5 %	7.4 %	12.6 %	13.3 %
205,765	70,703	26.5	26.1	24.2	26.0	17.0
68,704	11,290	3.9	4.8	4.5	8.7	2.7
224,911	225,101	24.7	20.5	19.8	28.5	54.2
308,387	56,300	9.0	12.7	14.2	39.0	13.5
	1,841,987					443.3
217,800	145,200	10.6	12.3	13.1	27.6	34.9
$ 1,125,547	$ 2,405,862	82.0 %	81.9 %	83.2 %	142.4 %	578.9 %
$ (335,031)	$ (1,990,358)	18.0 %	18.1 %	16.8 %	(42.4) %	(478.9) %
$ 775,000	225,000					
	1,767,987					
$ 775,000	$ 1,992,987					
$ 439,969	$ 2,629					
18,277	15,648					
$ 458,246	$ 18,277					

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 597,704	$ 456,102	$ 210,723
Miscellaneous Revenues	28,403	25,853	22,145
TOTAL REVENUES	$ 626,107	$ 481,955	$ 232,868
EXPENDITURES			
Tax Collection Expenditures	$ 175,888	$ 122,050	$ 21,975
Debt Service Interest and Fees	449,639	420,450	315,165
TOTAL EXPENDITURES	$ 625,527	$ 542,500	$ 337,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 580	$ (60,545)	$ (104,272)
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-term Debt	$ 115,650	$ - 0 -	$ 159,500
NET CHANGE IN FUND BALANCE	$ 116,230	$ (60,545)	$ 55,228
BEGINNING FUND BALANCE	310,511	371,056	315,828
ENDING FUND BALANCE	$ 426,741	$ 310,511	$ 371,056
TOTAL ACTIVE RETAIL WATER CONNECTIONS	523	481	380
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	506	463	377

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 530	$	95.5 %	94.6 %	90.5 %	%	%
		4.5	5.4	9.5	100.0	
$ 530	$ - 0 -	100.0 %	100.0 %	100.0 %	100.0 %	N/A %
$ 240	$	28.1 %	25.3 %	9.4 %	45.3 %	%
78,212		71.8	87.2	135.3	14,757.0	
$ 78,452	$ - 0 -	99.9 %	112.5 %	144.7 %	14,802.3 %	N/A %
$ (77,922)	$ - 0 -	0.1 %	(12.5) %	(44.7) %	(14,702.3) %	N/A %
$ 393,750	$ - 0 -					
$ 315,828	$ - 0 -					
$ 315,828	$ - 0 -					
265	163					
259	157					

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2026

District Mailing Address - Big Sky Municipal Utility District of Denton County
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1330 Post Oak Blvd, Suite 2650
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2026	Expense Reimbursements for the year ended April 30, 2026	Title
Andrew Mizerek	05/24 05/28 (Elected)	$ 1,547	$ 92	President
Greg Edwards	05/26 05/30 (Elected)	$ 1,326	$ -0-	Vice President
Kenny Bounds	05/26 05/30 (Elected)	$ 1,326	$ -0-	Secretary
Preston Crow	05/24 05/28 (Elected)	$ 1,105	$ -0-	Assistant Secretary
Josh Dennison	05/26 05/30 (Elected)	$ 884	$ -0-	Assistant Secretary

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

The most recent submission date of the District Registration Form was on July 13, 2026.

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

See accompanying independent auditor's report.

BIG SKY MUNICIPAL UTILITY DISTRICT OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2026

Consultants:	Date Hired	Fees for the year ended April 30, 2026	Title
Sanford Kuhl Hagan Kugle Parker Kahn LLP	08/19/19	$ 110,904 $ 77,330	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	03/28/22	$ 17,000 $ 16,000	Auditor Bond Related
L & S District Services, LLC	12/12/16	$ 21,652 $ -0-	Bookkeeper/ Investment Officer
Pape-Dawson Engineers, Inc.	04/29/19	$ 21,632	Engineer
The GMS Group, L.L.C.	11/14/19	$ 53,210	Financial Advisor
Utility Tax Service, LLC	02/19/21	$ 14,843	Tax Assessor/ Collector
Inframark, LLC	05/12/20	$ 776,825	Operator

See accompanying independent auditor's report.

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT

Big Sky Estates

SOLD!

SOLD!

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

SPECIMEN

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

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

SPECIMEN