OFFICIAL STATEMENT DATED NOVEMBER 5, 2026

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

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

NEW ISSUE – Book Entry Only

Moody's Ratings (Underlying)..... "Baa2"
S&P Global Ratings (BAM Insured)..... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY
(A Political Subdivision of the State of Texas located within Denton County)

$7,765,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

Dated: December 1, 2026
Interest Accrues From: December 3, 2026

Due: March 1, as shown on inside cover page

The $7,765,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds") are obligations of Northlake Municipal Management District No. 2 of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town of Northlake, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected on or about December 3, 2026), and is payable on March 1, 2027, and each September 1 and March 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

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

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



The Bonds constitute the fourth series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Voters of the District authorized the issuance of the following: $239,522,703 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, $145,861,502 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, $359,284,054 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and $218,792,253 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, $223,582,703 principal amount of unlimited tax bonds for Utility System purposes, $112,051,502 principal amount of unlimited tax bonds for Road System purposes, $359,284,054 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and $218,792,253 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 3, 2026.

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

$7,765,000 Unlimited Tax Road Bonds, Series 2026

$2,980,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649U (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649U (b)
2028	$ 165,000	6.250%	3.500%	FB2	2035 (c)	$ 235,000	5.000%	4.000%	FJ5
2029	170,000	6.250%	3.550%	FC0	2036 (c)	250,000	5.000%	4.100%	FK2
2030	180,000	6.250%	3.600%	FD8	2037 (c)	265,000	5.000%	4.400%	FL0
2031	190,000	6.250%	3.700%	FE6	2038 (c)	280,000	5.000%	4.550%	FM8
2032	200,000	6.250%	3.800%	FF3	2039 (c)	295,000	5.000%	4.650%	FN6
2033 (c)	215,000	6.250%	3.900%	FG1	2040 (c)	310,000	5.000%	4.750%	FP1
2034 (c)	225,000	6.250%	3.950%	FH9					

$4,785,000 Term Bonds

$1,040,000 Term Bond due March 1, 2043 (c)(d) Interest Rate: 5.000% (Price: $100.00) (a) CUSIP No. 66649U FS5 (b)

$1,220,000 Term Bond due March 1, 2046 (c)(d) Interest Rate: 5.000% (Price: $99.381) (a) CUSIP No. 66649U FV8 (b)

$1,435,000 Term Bond due March 1, 2049 (c)(d) Interest Rate: 5.000% (Price: $98.670) (a) CUSIP No. 66649U FY2 (b)

$1,090,000 Term Bond due March 1, 2051 (c)(d) Interest Rate: 3.750% (Price: $78.402) (a) CUSIP No. 66649U GA3 (b)

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

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.

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

(d) Subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248, upon payment of the costs for duplication thereof.

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

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

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

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APPENDIX A FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX B SPECIMEN MUNICIPAL BOND INSURANCE POLICY

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.000371% of the principal amount thereof, which resulted in a net effective interest rate of 4.986662%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

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

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

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

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

Additional Information Available from BAM

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

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

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

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

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

RATINGS

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

Moody's Ratings ("Moody's") has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that the rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Northlake Municipal Management District No. 2 of Denton County (the "District"), a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, was created by an order of the Texas Commission on Environmental Quality (the "TCEQ") dated May 14, 2019, under the authority of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution; Chapter 375, Texas Local Government Code; and Chapter 49, Texas Water Code, as amended. See "THE BONDS."
The Issue	The District's $7,765,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are dated December 1, 2026. Interest on the Bonds accrues from the initial date of delivery (on or about December 3, 2026) (the "Delivery Date"), at the rates shown on the inside cover hereof and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption	*Optional Redemption:* The Bonds maturing on and after March 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or in part, on December 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." *Mandatory Redemption:* The Bonds maturing on March 1 in the years 2043, 2046, 2049 and 2051 are "Term Bonds" and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Source of Payment	Principal of and interest on the Bonds is payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas (the "Town"); or any entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; (ii) Chapter 375, Texas Local Government Code, as amended; (iii) an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and (iv) an election held within the boundaries of the District on November 5, 2019. See "THE BONDS – Authority for Issuance."
Payment Record	The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.
Outstanding Bonds	The District has previously issued the following bonds: $9,000,000 Unlimited Tax Road Bonds, Series 2022; $10,315,000 Unlimited Tax Utility Bonds, Series 2022; $7,585,000 Unlimited Tax Road Bonds, Series 2023; $5,625,000 Unlimited Tax Utility Bonds, Series 2024;

	and $9,460,000 Unlimited Tax Road Bonds, Series 2025. Of the above-referenced bonds, $39,965,000 principal amount will remain outstanding as of the Delivery Date (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for costs associated with certain improvements set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds of the Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds" for further information.
Qualified Tax-Exempt Obligations	The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings	Moody's Ratings ("Moody's") "Baa2" (underlying): S&P Global Ratings (BAM Insured): "AA." See "RATINGS."
Bond Counsel	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Financial Advisor	Cedar Creek Municipal Advisors, LLC, Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Location of the District	The District is located approximately 46 miles northwest of the City of Dallas, approximately 28 miles north of the central downtown business district of the City of Fort Worth, Texas, and approximately 11 miles south of the City of Denton, Texas in southwest Denton County at the south side of Robson Ranch Road and lies wholly within the corporate limits of the Town and within Denton County and the Argyle Independent School District. Access to the District may be achieved via Robson Ranch Road approximately 1 mile west of its intersection with I-35W. The District consists of approximately 316.30 acres. See "THE DISTRICT – Location of the District."
Authority	The rights, powers, privileges, authority, and functions of the District are established by Article III, Sections 52 and 52(a), and Article XVI, Section 59 of the Texas Constitution; the provisions of Chapter 375, Texas Local Government Code, as amended; and Chapter 49, Texas Water Code, as amended, and include, among others, the power to provide road, water, sanitary sewer, and drainage facilities. See "THE DISTRICT – General."
Status of Development	The District is being developed as the master-planned community of "The Ridge at Northlake." As of September 15, 2026, approximately 1,011 single-family lots (on approximately 316.30 acres) have been developed within the following residential subdivisions in the District: The Ridge, Phases 1, 1A, 2, 3, 4 and 5. As of September 15, 2026, the District included approximately 777 completed homes (773 occupied and 4 model homes), approximately 41 homes under construction, and approximately 193 vacant developed lots available for home construction. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."
The Developer	The Developer of land within the District is TMRY Ridge Limited Partnership ("TMRY Ridge" or the "Developer"), a Texas limited

	partnership, whose general partner is TM Ridge GP, LLC, which is managed by Taylor Morrison of Texas, Inc. ("TM Texas"). TM Texas is a subsidiary of Taylor Morrison Home Corp. ("Taylor Morrison"). Taylor Morrison is one of the nation's largest homebuilders and is wholly owned by Berkshire Hathaway. While Taylor Morrison is privately held, its parent company, Berkshire Hathaway, is publicly traded on the New York Stock Exchange under the symbols BRK.A and BRK.B.
Homebuilders	Builders currently building homes within the District include TM Texas and David Weekley Homes. The homes being marketed in the District range in size from approximately 2,279 to 4,526 square feet and in price from approximately $512,990 to $838,690. See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District"

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Taxable Assessed Valuation	$ 456,249,544	(a)
Estimate of Value as of September 15, 2026	$ 524,521,367	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds)	$ 39,965,000	
The Bonds	$ 7,765,000	
Total	$ 47,730,000	
Estimated Overlapping Debt	$ 66,586,640	(c)
Total Direct and Estimated Overlapping Debt	$ 114,316,640	(c)
Direct Debt Ratios:		
As a percentage of the 2026 Taxable Assessed Valuation	10.46 %	
As a percentage of the Estimate of Value as of September 15, 2026	9.10 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2026 Taxable Assessed Valuation	25.06 %	
As a percentage of the Estimate of Value as of September 15, 2026	21.79 %	
Utility System Debt Service Fund Balance (as of August 31, 2026)	$ 413,704	(d)
Road System Debt Service Fund Balance (as of August 31, 2026)	$ 749,732	(e)
General Operating Fund Balance (as of August 31, 2026)	$ 852,933	
2026 Tax Rate		
Utility System Debt Service	$ 0.2400	
Road System Debt Service	$ 0.4150	
Maintenance and Operations	$ 0.0500	
Total	$ 0.7050	(f)
Average Annual Debt Service Requirement (2027-2051)	$ 3,002,773	(g)
Maximum Annual Debt Service Requirement (2028)	$ 3,333,238	(g)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2027-2051):		
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$ 0.70	
Based on the Estimate of Value as of September 15, 2026, at 95% Tax Collections	$ 0.61	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2028):		
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$ 0.77	
Based on the Estimate of Value as of September 15, 2026, at 95% Tax Collections	$ 0.67	

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

(b) An estimate of taxable value has been provided by DCAD for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2026 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2026 through September 15, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

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

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

(f) See "TAX DATA – Tax Rate Distribution."

(g) See "DISTRICT DEBT – Debt Service Requirements."

OFFICIAL STATEMENT
relating to
NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

$7,765,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northlake Municipal Management District No. 2 of Denton County (the "District") of its $7,765,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; (ii) Chapter 375, Texas Local Government Code, as amended; (iii) an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and (iv) an election held within the boundaries of the District on November 5, 2019.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds are dated December 1, 2026, with interest payable on March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds accrues from the initial date of delivery (on or about December 3, 2026) (the "Delivery Date"), and thereafter from the most recent Interest Payment Date to which interest has been paid. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page hereof.

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

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

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

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

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

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

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

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

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

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) next preceding such Interest Payment Date.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of the same series and in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Redemption Provisions

Optional Redemption: Bonds maturing on March 1, 2033, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on December 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption: The Bonds maturing on March 1 in the years 2043, 2046, 2049 and 2051 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

$1,040,000 Term Bonds Maturing on March 1, 2043

Mandatory Redemption Date	Principal Amount
March 1, 2041	$ 330,000
March 1, 2042	$ 345,000
March 1, 2043 (Maturity)	$ 365,000

$1,220,000 Term Bonds Maturing on March 1, 2046

Mandatory Redemption Date	Principal Amount
March 1, 2044	$ 385,000
March 1, 2045	$ 405,000
March 1, 2046 (Maturity)	$ 430,000

$1,435,000 Term Bonds Maturing on March 1, 2049

Mandatory Redemption Date	Principal Amount
March 1, 2047	$ 455,000
March 1, 2048	$ 475,000
March 1, 2049 (Maturity)	$ 505,000

$1,090,000 Term Bonds Maturing on March 1, 2051

Mandatory Redemption Date	Principal Amount
March 1, 2050	$ 530,000
March 1, 2051 (Maturity)	$ 560,000

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

Source of Payment

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town of Northlake, Texas (the "Town"); or any political subdivision or 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 Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place or payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or

redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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 have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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 defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Authority for Issuance

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; (ii) Chapter 375, Texas Local Government Code, as amended; (iii) the Bond Order; and (iv) an election held within the boundaries of the District on November 5, 2019.

Issuance of Additional Debt

The Bonds constitute the fourth series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). At an election held within the District on November 5, 2019, voters of the District authorized the District's issuance of $239,522,703 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $359,284,054 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $145,861,502 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $218,792,253 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and could authorize additional amounts.

Following the issuance of the Bonds, the District will have: $223,582,703 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; $359,284,054 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; $112,051,502 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and $218,792,253 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

After reimbursement with the proceeds of the Bonds, the District will still owe the Developer (herein defined) approximately $3,350,000 for the current expenditures related to the construction of the Road System and $12,750,000 for the current expenditures related to the Utility System on behalf of the District.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the Texas Commission on Environmental Quality (the "TCEQ").

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
11/05/2019	Utility System	$ 239,522,703	$ 15,940,000	$ 223,582,703
11/05/2019	Road System	145,861,502	33,810,000 (a)	112,051,502
11/05/2019	Utility System Refunding	359,284,054	–	359,284,054
11/05/2019	Road System Refunding	218,792,253	–	218,792,253

(a) Includes the Bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, 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 does not provide fire protection service, and the Board has not considered calling such an election for approval of bonds for fire-fighting activities at this time. The Town, pursuant to the public improvements agreement, will provide fire protection service within the boundaries of the District.

No Arbitrage

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

Funds

The Bond Order confirms the District's fund for debt service on the Bonds, any previously issued unlimited tax bonds issued by the District for the Road System (the "Outstanding Road Bonds"), and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Road Bonds, and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Road Bonds, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

In connection with the Outstanding Bonds issued for the Utility System, the District has previously created its Utility System Debt Service Fund (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the registered owners of the Outstanding Bonds issued for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System

Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Bonds.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Payment Record

The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Outstanding Bonds

The District has previously issued the following bonds: $9,000,000 Unlimited Tax Road Bonds, Series 2022; $10,315,000 Unlimited Tax Utility Bonds, Series 2022; $7,585,000 Unlimited Tax Road Bonds, Series 2023; $5,625,000 Unlimited Tax Utility Bonds, Series 2024; and $9,460,000 Unlimited Tax Road Bonds, Series 2025.

Of the above-referenced bonds, $39,965,000 principal amount will remain outstanding as of the Delivery Date (the "Outstanding Bonds").

Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Bonds will also be used to pay six (6) months of capitalized interest, developer interest, and the below miscellaneous costs of issuance associated with the Bonds.

CONSTRUCTION COSTS	
A. Construction Costs	
1. The Ridge at Northlake, Phase 4 – Paving	$ 683,267
2. The Ridge at Northlake, Phase 4 – Grading	335,733
3. The Ridge at Northlake, Phase 4 – ROW Landscaping	1,440,677
4. The Ridge at Northlake, Phase 4 – Paving	567,104
5. Land Costs – ROW Phases 4 & 5	3,547,175
TOTAL CONSTRUCTION COSTS	**$ 6,573,956**
NON-CONSTRUCTION COSTS	
1. Legal Fees	$ 195,300
2. Fiscal Advisor Fees	154,638
3. Interest	
1. Capitalized Interest (6 Months)	195,719
2. Developer Interest	306,521
4. Bond Discount (3.00%)	232,921
5. Bond Issuance Expense	46,479
6. Bond Engineering Fee	24,148
7. Attorney General Fee	7,765
8. Contingency (a)	27,553
TOTAL NON-CONSTRUCTION COSTS	**$ 1,191,044**
TOTAL BOND ISSUE REQUIREMENT	**$ 7,765,000**

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

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer (herein defined) and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required.

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THE DISTRICT

General

The District, a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, was created by an order of the TCEQ dated May 14, 2019 under the authority of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution; Chapter 375, Texas Local Government Code, as amended; and Chapter 49, Texas Water Code, as amended. The District, is subject to the continuing supervisory jurisdiction of the TCEQ with respect to water, sewer, and drainage facilities.

The District is empowered, among other things, 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. The District is also empowered to purchase, construct, operate and maintain certain road improvements, and fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Town and the voters of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. See "THE BONDS – Issuance of Additional Debt."

Location of the District

The District is located approximately 46 miles northwest of the City of Dallas, approximately 28 miles north of the central downtown business district of the City of Fort Worth, Texas, and approximately 11 miles south of the City of Denton Texas in southwest Denton County at the south side of Robson Ranch Road. The District lies wholly within the corporate limits of the Town and within Denton County and the Argyle Independent School District. Access to the District may be achieved via Robson Ranch Road approximately 1 mile west of its intersection with I-35W.

The District contains approximately 316.30 acres.

Management of the District

The District is governed by the Board, which consists of five directors and has control over, management, and supervision of all affairs of the District. All directors serve four-year staggered terms, and are appointed by the Town:

Name	Position	Term Expires May
Evan Adame	President	2029
Grant Dawson	Vice President	2027
Timothy Short	Secretary	2029
John Thomson	Assistant Secretary	2027
Alex Ramirez	Assistant Secretary	2027

Investment Policy

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

Consultants

The District does not have any employees but contracts for certain necessary services as described below:

Tax Assessor/Collector: The District's Tax Assessor/Collector is Dawn Waye, the Denton County Tax Assessor/Collector (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is L&S District Services, LLC (the "Bookkeeper").

Utility System Operator: The District's Operator is the Town (the "Operator").

Auditor: The District engaged Mark C. Eyring, CPA PLLC to audit its financial statements for the fiscal year ended December 31, 2025. The District's audited financial statements are attached as "APPENDIX A" to this Official Statement.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities JBI Partners, Inc. (the "Engineer").

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

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

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

Historical Operations of the District

The following is a summary of the District's Operating Fund. The figures for the fiscal years ending December 31 in the years 2021 through 2025, were obtained from the District's audited financial statements, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Year Ended December 31,				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 293,494	$ 295,681	$ 249,186	$ 297,773	$ 160,782
Penalty and Interest	31,259	29,596	8,488	2,581	2,226
Total Revenues	$ 324,753	$ 325,277	$ 257,674	$ 300,354	$ 163,008
Expenditures					
Professional Fees	$ 54,213	$ 46,657	$ 46,769	$ 49,780	$ 25,730
Contracted Services	15,845	12,560	18,089	11,020	4,535
Repairs & Maintenance	75,366	159,236	–	–	–
Administrative Expenditures	8,456	7,352	8,052	8,294	6,830
Total Expenditures	$ 153,880	$ 225,835	$ 72,910	$ 69,094	$ 37,095
Net Revenues (Deficit)	$ 170,873	$ 99,442	$ 184,764	$ 231,260	$ 125,913
Other Financing Sources (Uses)	$ -	$ –	$ 5,675	$ 3,878	$ 4,148
Beginning Fund Balance	$ 654,597	$ 555,155	$ 364,716	$ 129,578	$ (483)
Ending Fund Balance	$ 825,470	$ 654,597	$ 555,155	$ 364,716	$ 129,578

DEVELOPMENT OF THE DISTRICT

The District is being developed as the master-planned community of "The Ridge at Northlake." As of September 15, 2026, approximately 1,011 single-family lots (on approximately 316.30 acres) have been developed within the following residential subdivisions in the District: The Ridge, Phases 1, 1A, 2, 3, 4 and 5. As of September 15, 2026, the District included approximately 777 completed homes (773 occupied and 4 model homes), approximately 41 homes under construction, and approximately 193 vacant developed lots available for home construction.

Status of Development within the District

The table below summarizes the development within the District as of September 15, 2026, by section.

Subdivision	Section Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
The Ridge, Phase 1	86.07	267	263	-	4
The Ridge, Phase 1A	22.39	16	16	-	-
The Ridge, Phase 2	43.16	195	195	-	-
The Ridge, Phase 3	51.85	186	184	-	2
The Ridge, Phase 4	76.18	224	119	41	64
The Ridge, Phase 5	36.65	123	-	-	123
Totals	316.30	1,011	777	41	193
Remaining Developable	0.00				
District Total	316.30				

Homebuilders within the District

Builders currently building homes within the District include TM Texas and David Weekley Homes. The homes being marketed in the District range in size from approximately 2,279 to 4,526 square feet and in price from approximately $512,990 to $838,690.

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PHOTOGRAPHS TAKEN IN THE DISTRICT

(September 2026)

















PHOTOGRAPHS TAKEN IN THE DISTRICT

(September 2026)

















THE DEVELOPER

The Role of a Developer

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

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

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

Description of the Developer

The Developer of land within the District is TMRY Ridge Limited Partnership, a Texas limited partnership, whose general partner is TM Ridge GP, LLC, which is managed by Taylor Morrison of Texas, Inc. ("TM Texas"). TM Texas is a subsidiary of Taylor Morrison Home Corp. ("Taylor Morrison").

Taylor Morrison is one of the nation's largest homebuilders and is wholly owned by Berkshire Hathaway. While Taylor Morrison is privately held, its parent company, Berkshire Hathaway, is publicly traded on the New York Stock Exchange under the symbols BRK.A and BRK.B.

Lot Sales Contracts

The Developer has entered into lot sales contracts with each of TM Texas, Highland Homes, Meritage, David Weekley Homes, Coventry Homes, and MHI Partnership. The contracts for the sale of lots between the Developer and the builders requires that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with a pro-rata portion of the earnest money credited against the purchase price of the lots being purchased at each closing. The Developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to the Developer, each of the builders is in compliance with their respective lot sale contracts. As of September 15, 2026, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
TM Texas	667	573
Highland Homes	46	46
Meritage Homes	57	57
David Weekley Homes	104	104
MHI Homes	46	46
Coventry Homes	91	91
Totals	1,011	917

THE ROAD SYSTEM

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

THE UTILITY SYSTEM

Regulation

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

Description of the Utility System

Water Supply

The area within the District lies wholly within the corporate limits of the Town. On August 9, 2018, the District entered into a development agreement with the Town (the "Development Agreement") to provide continuous and adequate water capacity for water service within the District. The Town is the provider of retail water service to the users within the District. Upon completion of a phase of water facilities by or on behalf of the District, the District conveys such facilities to the Town. The Town's water facilities are capable of serving the full development expected within the District.

Wastewater System

The area within the District lies wholly within the corporate limits of the Town. On August 9, 2018, the District entered into the Development Agreement to provide continuous and adequate wastewater conveyance and treatment capacity for wastewater service within the District. The Town is the provider of retail wastewater service to the users within the District. Upon completion of a phase of wastewater facilities by or on behalf of the District, the District conveys such facilities to the Town. The Town's wastewater facilities are capable of serving the full development expected within the District.

Drainage

The District primarily drains to the southeast into Graham Branch Tributary 16 and ultimately to Lake Grapevine. A small portion of the northwest corner of the District drains offsite to the west of the District. The drainage system serving the District consists of curbs and gutter streets directing drainage into underground storm sewers. The onsite detention ponds will be located in common area lots owned and maintained by the Homeowner's Association. According to the District's Engineer, 1.63 acres of the developable land within the District is within the FEMA 100-year flood plain.

DISTRICT DEBT

General

2026 Taxable Assessed Valuation	$ 456,249,544	(a)
Estimate of Value as of September 15, 2026	$ 524,521,367	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds)	$ 39,965,000	
The Bonds	$ 7,765,000	
Total	$ 47,730,000	
Estimated Overlapping Debt	$ 66,586,640	(c)
Total Direct and Estimated Overlapping Debt	$ 114,316,640	(c)
Direct Debt Ratios:		
As a percentage of the 2026 Taxable Assessed Valuation	10.46 %	
As a percentage of the Estimate of Value as of September 15, 2026	9.10 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2026 Taxable Assessed Valuation	25.06 %	
As a percentage of the Estimate of Value as of September 15, 2026	21.79 %	
Utility System Debt Service Fund Balance (as of August 31, 2026)	$ 413,704	(d)
Road System Debt Service Fund Balance (as of August 31, 2026)	$ 749,732	(e)
General Operating Fund Balance (as of August 31, 2026)	$ 852,933	
2026 Tax Rate		
Utility System Debt Service	$ 0.2400	
Road System Debt Service	$ 0.4150	
Maintenance and Operations	$ 0.0500	
Total	$ 0.7050	(f)
Average Annual Debt Service Requirement (2027-2051)	$ 3,002,773	(g)
Maximum Annual Debt Service Requirement (2028)	$ 3,333,238	(g)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2027-2051):		
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$ 0.70	
Based on the Estimate of Value as of September 15, 2026, at 95% Tax Collections	$ 0.61	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2028):		
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$ 0.77	
Based on the Estimate of Value as of September 15, 2026, at 95% Tax Collections	$ 0.67	

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

(b) An estimate of taxable value has been provided by DCAD for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2026 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2026 through September 15, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Neither Texas law nor the Bond Order require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, such as the Bonds.

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

(f) See "TAX DATA – Tax Rate Distribution."

(g) See "DISTRICT DEBT – Debt Service Requirements."

Estimated Overlapping Debt Statement

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

	Outstanding Debt	Overlapping	
Taxing Jurisdiction	September 30, 2026	Percent	Amount
Denton County	$ 700,610,000	0.24%	$ 1,667,389
The Town of Northlake	129,775,000	10.97%	14,241,101
Argyle Independent School District	663,654,822	7.64%	50,678,149
Total Estimated Overlapping Debt			$66,586,640
Direct Debt (a)			$47,730,000
Total Direct and Estimated Overlapping Debt (a)			$114,316,640

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Direct Debt Ratios:	
As a percentage of the 2026 Taxable Assessed Valuation	10.46 %
As a percentage of the Estimate of Value as of September 15, 2026	9.10 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of the 2026 Taxable Assessed Valuation	25.06 %
As a percentage of the Estimate of Value as of September 15, 2026	21.79 %

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Debt Service Requirements

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

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2027	$ 2,796,353	$ –	$ 291,403	$ 291,403	$ 3,087,757
2028	2,781,956	165,000	386,281	551,281	3,333,238
2029	2,758,125	170,000	375,813	545,813	3,303,938
2030	2,753,391	180,000	364,875	544,875	3,298,266
2031	2,739,338	190,000	353,313	543,313	3,282,650
2032	2,731,900	200,000	341,125	541,125	3,273,025
2033	2,724,275	215,000	328,156	543,156	3,267,431
2034	2,725,878	225,000	314,406	539,406	3,265,284
2035	2,727,981	235,000	301,500	536,500	3,264,481
2036	2,728,706	250,000	289,375	539,375	3,268,081
2037	2,731,428	265,000	276,500	541,500	3,272,928
2038	2,735,675	280,000	262,875	542,875	3,278,550
2039	2,732,056	295,000	248,500	543,500	3,275,556
2040	2,740,581	310,000	233,375	543,375	3,283,956
2041	2,735,725	330,000	217,375	547,375	3,283,100
2042	2,742,100	345,000	200,500	545,500	3,287,600
2043	2,749,250	365,000	182,750	547,750	3,297,000
2044	2,752,325	385,000	164,000	549,000	3,301,325
2045	2,752,825	405,000	144,250	549,250	3,302,075
2046	2,760,588	430,000	123,375	553,375	3,313,963
2047	2,769,291	455,000	101,250	556,250	3,325,541
2048	2,261,653	475,000	78,000	553,000	2,814,653
2049	1,030,900	505,000	53,500	558,500	1,589,400
2050	668,100	530,000	30,938	560,938	1,229,038
2051	-	560,000	10,500	570,500	570,500
Total	$ 48,582,397	$ 7,765,000	$ 5,673,935	$ 13,438,935	$ 75,069,335

Average Annual Debt Service Requirement (2027–2051) ..... $ 3,002,773
Maximum Annual Debt Service Requirement (2028) ..... $ 3,333,238

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TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas Property Tax Code (the "Property Tax Code") relating to the District's ability to levy and collect property taxes on property within the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. Reference is made to the Property Tax Code for more complete information, including the identification of property subject to taxation; property exempt, or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. DCAD is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and

reclamation districts that participate in DCAD. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by DCAD or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

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

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

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

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same

categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by 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 Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code requires DCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in DCAD at least once every three years. It is not known what frequency of reappraisals 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.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against DCAD to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an

election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and DCAD is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of the 2026 Taxable Assessed Valuation, approximately 97.311 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

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

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over

a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Reappraisal of Property after Disaster

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

District's Rights in the Event of Tax Delinquencies

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

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

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made on an annual basis. For the 2026 tax year, the District was classified as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds for the purpose of acquiring or constructing the Utility System or Road System that may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. For the 2026 tax year, the District levied a total tax of $0.705 per $100 of assessed valuation, composed of a maintenance and operations tax rate of $0.050 per $100 of assessed valuation, a Road System debt service tax rate of $0.415 per $100 of assessed valuation, and a Utility System debt service tax rate $0.240 per $100 of assessed valuation.

Tax Rate Limitation

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2026 tax year, the District levied a Utility System debt service tax rate of $0.240 per $100 of assessed valuation and a Road System debt service tax rate of $0.415 per $100 of assessed valuation. See "Tax Rate Distribution" below.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.20 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. For the 2026 tax year, the District levied a maintenance tax of $0.050 per $100 of assessed valuation. See "Tax Rate Distribution" below.

Historical Tax Collections

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

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ending 8/31	Collections 8/31/2026
2021	$ 42,151,178	$ 0.705	$ 297,166	99.48%	2022	100.00%
2022	111,961,873	0.705	789,331	100.00%	2023	100.00%
2023	217,252,318	0.705	1,531,629	99.95%	2024	99.99%
2024	277,706,452	0.705	1,957,830	99.97%	2025	100.00%
2025	379,713,336	0.705	2,676,979	99.99%	2026	99.99%
2026	456,249,544	0.705	3,216,559	(a)	2027	(a)

(a) In process of collection. Taxes for the 2026 tax year are due without penalty by January 31, 2027.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Utility System Debt Service	$0.240	$0.255	$0.280	$0.270	$0.000
Road System Debt Service	0.415	0.390	0.320	0.375	0.490
Maintenance & Operations	0.050	0.060	0.105	0.060	0.215
Total	$0.705	$0.705	$0.705	$0.705	$0.705

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Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2022–2026 tax years by type of property.

Type of Property	2026 Assessed Valuation	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation
Land	$ 127,596,713	$ 98,170,199	$ 87,058,943	$ 67,645,510	$ 58,945,838
Improvements	347,377,674	298,114,160	209,472,737	166,900,080	62,982,687
Personal Property	33,046,549	625,719	434,315	3,775,817	236,904
Exemptions	(51,771,393)	(17,196,742)	(19,259,543)	(21,069,089)	(10,203,556)
Total	$ 456,249,544	$ 379,713,336	$ 277,706,452	$ 217,252,318	$ 111,961,873

Principal Taxpayers

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

Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of 2026 Value
Taylor Morrison of Texas Inc. (b)	Land & Improvements	$ 7,636,647	1.67%
Weekley Homes LLC (b)	Land & Improvements	4,646,161	1.02%
TMRY Ridge Limited Partnership (a)	Land & Improvements	3,189,289	0.70%
VP Parade LLC	Land & Improvements	1,057,941	0.23%
Homeowner	Land & Improvements	921,000	0.20%
Homeowner	Land & Improvements	808,000	0.18%
Homeowner	Land & Improvements	804,000	0.18%
Homeowner	Land & Improvements	798,864	0.18%
Homeowner	Land & Improvements	795,000	0.17%
Homeowner	Land & Improvements	777,000	0.17%
Total		$ 21,433,902	4.70%

(a) See "THE DEVELOPER."
(b) See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2026 Taxable Assessed Valuation ($456,249,544) or the Estimated Valuation as of September 15, 2026 ($524,521,367). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2027-2051)	$ 3,002,773
Debt Service Tax Rate of $0.70 on 2026 Taxable Assessed Valuation	$ 3,034,059
Debt Service Tax Rate of $0.61 on Estimated Valuation as of September 15, 2026	$ 3,039,601
Maximum Annual Debt Service Requirement (2028)	$ 3,333,238
Debt Service Tax Rate of $0.77 on 2026 Taxable Assessed Valuation	$ 3,337,465
Debt Service Tax Rate of $0.67 on Estimated Valuation as of September 15, 2026	$ 3,338,579

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2026 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2026 Tax Rate
The District	$0.705000
Denton County	0.183394
Denton County ESD No. 1	0.060000
Town of Northlake	0.295000
Argyle Independent School District	1.155800
Total Tax Rate	$2.399194

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Denton County, Texas; the Town; or any political subdivision other than the District. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See "THE BONDS – Source of Payment."

The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

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

Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 46 miles northwest from the central business district of the City of Dallas, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Dallas and the nation could adversely affect development plans in the District and restrain the growth of the District's property tax base.

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

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the

growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District.

Dependence on Major Taxpayers: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's top ten principal taxpayers as of January 1, 2026, owned approximately 4.70% of the assessed value of property located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meets its debt service requirements, the availability of which is uncertain. See "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies" below and "THE DEVELOPER" herein.

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

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

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2026 Taxable Assessed Valuation of all taxable property within the District is $456,249,544 and the Estimate of Value as of September 15, 2026 is $524,521,367. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2028) is $3,333,238 , and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2027-2051) is $3,002,773 . Assuming no decrease to the District's 2026 Taxable Assessed Valuation, tax rates of $0.77 and $0.70 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from Estimate of Value as of September 15, 2026, tax rates of $0.67 and $0.61 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

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

Vacant Developed Lots

As of September 15, 2026, approximately 193 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases

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

Increase in Costs of Building Materials and Labor Shortages

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

Tax Collection Limitations

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

At an election held within the District on November 5, 2019, voters of the District authorized the District's issuance of $239,522,703 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $359,284,054 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $145,861,502 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $218,792,253 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and could authorize additional amounts.

Following the issuance of the Bonds, the District will have: $223,582,703 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; $359,284,054 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; $112,051,502 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and $218,792,253 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

After reimbursement with the proceeds of the Bonds, the District will still owe the Developer approximately $3,350,000 for the current expenditures related to the construction of the Road System and $12,750,000 for the current expenditures related to the Utility System on behalf of the District.

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

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Future and Proposed Legislation

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

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

The 90th Texas Legislature

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

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"), 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 was 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 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 or other type of special purpose district, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain

nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district or other types of special purpose districts must comply may have an impact on the special purpose 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 "water 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 and other types of special purpose districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential Impact of Natural Disaster

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

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

Cybersecurity

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

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 "Insurance 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 Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the 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 provider of the policy, if any (the "Bond Insurer"), at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, 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 will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond

Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel.

Coats Rose, P.C., Dallas, Texas, serves as Bond Counsel and General Counsel to the District. The legal fees paid to Bond Counsel, Disclosure Counsel, and General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under

current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

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

CONTINUING DISCLOSURE OF INFORMATION

As required by Rule 15c2-12, and in the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain financial information and operating data to annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A."

The District will update and provide this information to the MSRB through its EMMA system within six months after the end of each of its fiscal years ending in or after 2026. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financials if it 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, then the District shall provide unaudited financial statements within such 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 regulations.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its prior continuing disclosure agreements in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the fiscal year ended December 31, 2025 has been provided by the District's auditor, Mark C. Eyring, CPA PLLC, and attached hereto as "APPENDIX A". Mark C. Eyring, CPA PLLC, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

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

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," and "THE UTILITY SYSTEM" and "THE

ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the authorized members of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or 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; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

Updating of Official Statement

The District will keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, to the other matters described in the Official Statement, until the delivery of the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

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CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Northlake Municipal Management District No. 2 of Denton County as of the date shown on the cover page hereof.

/s/ Evan Adame

President, Board of Directors
Northlake Municipal Management District No. 2 of Denton County

ATTEST:

/s/ Timothy Short
Secretary, Board of Directors
Northlake Municipal Management District No. 2 of Denton County

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

NORTHLAKE MUNICIPAL MANAGEMENT

DISTRICT NO. 2 OF DENTON COUNTY

DENTON COUNTY, TEXAS

ANNUAL AUDIT REPORT

DECEMBER 31, 2025

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Mark C. Eyring, CPA, PLLC

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April 15, 2026

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northlake Municipal Management
District No. 2 of Denton County
Denton County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northlake Municipal Management District No. 2 of Denton County as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Northlake Municipal Management District No. 2 of Denton County's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northlake Municipal Management District No. 2 of Denton County, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Northlake Municipal Management District No. 2 of Denton County, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Northlake Municipal Management District No. 2 of Denton County'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

My 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 my 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, I: 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 Northlake Municipal Management District No. 2 of Denton County'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northlake Municipal Management District No. 2 of Denton County's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northlake Municipal Management District No. 2 of Denton County's basic financial statements. The supplementary information on Pages 21 to 39 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.



Management's Discussion and Analysis

Using this Annual Report

Within this section of the Northlake Municipal Management District No. 2 of Denton County (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's' activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2025	2024	Change
Current and other assets	$ 4,677,258	$ 3,868,014	$ 809,244
Capital assets	10,358,300	11,151,951	(793,651)
Total assets	15,035,558	15,019,965	15,593
Long-term liabilities	49,389,331	41,773,600	7,615,731
Other liabilities	1,347,463	1,137,935	209,528
Total liabilities	50,736,794	42,911,535	7,825,259
Total deferred inflows of resources	2,677,473	1,957,299	720,174
Net position:			
Invested in capital assets, net of related debt	(39,505,424)	(30,920,929)	(8,584,495)
Restricted	374,773	491,067	(116,294)
Unrestricted	751,942	580,993	170,949
Total net position	$ (38,378,709)	$ (29,848,869)	$ (8,529,840)

Summary of Changes in Net Position

	2025	2024	Change
Revenues:			
Property taxes, including related penalty and interest	$ 1,976,455	$ 1,531,031	$ 445,424
Other revenues	95,684	95,919	(235)
Total revenues	2,072,139	1,626,950	445,189
Expenses:			
Service operations	8,619,099	5,211,526	3,407,573
Debt service	1,982,880	1,600,040	382,840
Total expenses	10,601,979	6,811,566	3,790,413
Change in net position	(8,529,840)	(5,184,616)	(3,345,224)
Net position, beginning of year	(29,848,869)	(24,664,253)	(5,184,616)
Net position, end of year	$ (38,378,709)	$ (29,848,869)	$ (8,529,840)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2025, were $1,947,824, an increase of $145,199 from the prior year.

The General Fund balance increased by $170,873, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by $32,835, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by $7,161, as proceeds from the Series 2025 road bonds and interest earnings exceeded authorized expenditures.

General Fund Budgetary Highlights

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 20 of this report. The budgetary fund balance as of December 31, 2025 was expected to be $678,677 and the actual end of year fund balance was $826,310.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	Capital Assets (Net of Accumulated Depreciation)		
	2025	2024	Change
Construction in progress	$ 10,358,300	$ 11,151,951	$ (793,651)

Changes to capital assets during the fiscal year ended December 31, 2025, are summarized as follows:

Additions:	
Utilities and roads constructed by developer	7,228,627
Decreases:	
Assets transferred to the Town of Northlake	(8,022,278)
Net change to capital assets	$ (793,651)

Debt

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2025, are summarized as follows:

Bonds payable, beginning of year	$ 32,025,000
Bonds sold	9,460,000
Bonds paid	(675,000)
Bonds payable, end of year	$ 40,810,000

At December 31, 2025, the District had $223,582,703 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and $119,816,502 for road purposes authorized but unissued

The District's Series 2022 and 2024 utility bonds and 2023 and 2025 road bonds have an underlying rating of Baa2 from Moody's. The Series 2022 and 2023 road bonds are insured by Build America Mutual Assurance Company. The Series 2022 and 2024 utility bonds and Series 2025 road bonds are insured by Assured Guaranty Inc. The insured rating of the Series 2022, 2023 and 2025 road and 2022 and 2024 utility bonds is AA by Standard & Poor's. There were no changes in the bond ratings during the fiscal year ended December 31, 2025.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of December 31, 2025, the cumulative amount of developer advances for this purpose was $74,546.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At December 31, 2025, the estimated amount due to the developer was $10,358,300.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

As of December 31, 2025, the District's certified tax base had increased approximately $100,195,000 for the 2025 tax year (about 36%) primarily due to the addition of new homes to the tax base.

Relationship to the Town of Northlake

The District lies wholly within the corporate limits of the Town of Northlake (the "Town") and obtains water, sewer and drainage service from the Town. In consideration of the District's acquiring and constructing these systems and a road system on behalf of the Town, the Town will own, operate and maintain such systems.

Under existing Texas law, because the District lies wholly within the corporate limits of the Town, the District may be dissolved by the Town. If the District is dissolved, the Town must assume the District's assets and obligations (including bonds) on the effective date of the dissolution of the District.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$1,697,153	$ 35,278	$ 122,096	$ 1,854,527	$	$ 1,854,527
Certificates of deposit, at cost, Note 7		245,000		245,000		245,000
Temporary investments, at cost, Note 7	702,969	905,637		1,608,606		1,608,606
Receivables:						
Property taxes	82,484	885,676		968,160		968,160
Accrued interest		965		965		965
Due from other funds	16,410	1,420,448		1,436,858	(1,436,858)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	10,358,300	10,358,300
Total assets	$2,499,016	$3,493,004	$ 122,096	$ 6,114,116	8,921,442	15,035,558
LIABILITIES						
Accounts payable	$ 24,210	$	26,690	$ 50,900		50,900
Accrued interest payable				0	529,499	529,499
Due to other funds	1,420,448		16,410	1,436,858	(1,436,858)	0
Long-term liabilities, Note 5:						
Due within one year				0	767,064	767,064
Due in more than one year				0	49,389,331	49,389,331
Total liabilities	1,444,658	0	43,100	1,487,758	49,249,036	50,736,794
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	228,048	2,450,486	0	2,678,534	(1,061)	2,677,473
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		218,125		218,125	(218,125)	0
Assigned to:						
Debt service		824,393		824,393	(824,393)	0
Capital projects			78,996	78,996	(78,996)	0
Unassigned	826,310			826,310	(826,310)	0
Total fund balances	826,310	1,042,518	78,996	1,947,824	(1,947,824)	0
Total liabilities, deferred inflows, and fund balances	$2,499,016	$3,493,004	$ 122,096	$ 6,114,116		
Net position:						
Invested in capital assets, net of related debt, Note 4					(39,505,424)	(39,505,424)
Restricted for debt service					295,777	295,777
Restricted for capital projects					78,996	78,996
Unrestricted, Note 5					751,942	751,942
Total net position					$ (38,378,709)	$(38,378,709)

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 293,494	$ 1,677,108	$	$ 1,970,602	$ 504	$ 1,971,106
Penalty and interest		5,349		5,349		5,349
Interest on deposits	31,259	60,706	3,719	95,684		95,684
Total revenues	324,753	1,743,163	3,719	2,071,635	504	2,072,139
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	54,213	928		55,141		55,141
Contracted services	15,845	14,968		30,813		30,813
Repairs and maintenance	75,366			75,366		75,366
Administrative expenditures	8,456	210		8,666		8,666
Capital outlay / non-capital outlay			8,022,278	8,022,278		8,022,278
Debt service:						
Principal retirement		675,000		675,000	(675,000)	0
Bond issuance expenditures			505,766	505,766		505,766
Interest and fees		1,303,017	426,835	1,729,852	174,097	1,903,949
Total expenditures / expenses	153,880	1,994,123	8,954,879	11,102,882	(500,903)	10,601,979
Excess (deficiency) of revenues over expenditures	170,873	(250,960)	(8,951,160)	(9,031,247)	501,407	(8,529,840)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		501,679	8,958,321	9,460,000	(9,460,000)	0
Bond issuance discounts, Note 5		(283,554)		(283,554)	283,554	0
Total other financing sources (uses)	0	218,125	8,958,321	9,176,446	(9,176,446)	0
Net change in fund balances / net position	170,873	(32,835)	7,161	145,199	(8,675,039)	(8,529,840)
Beginning of year	655,437	1,075,353	71,835	1,802,625	(31,651,494)	(29,848,869)
End of year	$ 826,310	$ 1,042,518	$ 78,996	$ 1,947,824	$(40,326,533)	$(38,378,709)

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

NOTE 1: REPORTING ENTITY

Northlake Municipal Management District No. 2 of Denton County (the "District") was created by the Texas Commission on Environmental Quality on May 8, 2019. The District operates in accordance with Texas Water Code Chapter 49, Chapter 375 of the Texas Local Government Code and Article XVI, Section 59 and Article III, Sections 52 and 52(a) of the Texas Constitution. The District is located within the corporate limits of the Town of Northlake and within Denton County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on June 19, 2019. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, 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. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. In addition, the District is authorized to construct, acquire, improve, maintain or operate roads located within its boundaries.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred revenues. Property taxes collected after the end of the fiscal year are not included in revenues.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 1,947,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		10,358,300
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (40,810,000)	
Issuance discount net of premium (to be amortized as interest expense)	1,086,451	
Due to developers for operating advances	(74,546)	
Due to developers for construction	(10,358,300)	(50,156,395)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		1,061
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(529,499)
Net position, end of year		$ (38,378,709)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		$ 145,199
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	$ (9,460,000)	
Principal reduction	675,000	(8,785,000)
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount, net of premium		222,480
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		504
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		(113,023)
Change in net position		$ (8,529,840)

NOTE 4: CAPITAL ASSETS

At December 31, 2025, “Invested in capital assets, net of related debt” was $(39,505,424). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Furthermore, the District lies wholly within the corporate limits of the Town of Northlake (the “Town”) and obtains water, sewer and drainage service from the Town. In consideration of the District's acquiring and constructing these systems on behalf of the Town, the Town will own, operate and maintain such systems. The District transfers the ownership of certain capital assets constructed by the District to the Town. The District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the Town, at which time ownership of such phase shall be transferred to the Town. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 11,151,951	$ 7,228,627	$ 8,022,278	$ 10,358,300
Total capital assets not being depreciated	11,151,951	7,228,627	8,022,278	10,358,300
Total capital assets, net	$ 11,151,951	$ 7,228,627	$ 8,022,278	$ 10,358,300
Changes to capital assets:				
Increase in liability to developer for construction		$ 7,228,627	$	
Capital outlay paid (decrease in liability) to developer		(8,022,278)		
Assets transferred to Town of Northlake		8,022,278	8,022,278	
Net increases / decreases to capital assets		$ 7,228,627	$ 8,022,278	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 32,025,000	$ 9,460,000	$ 675,000	$ 40,810,000	$ 845,000
Less deferred amounts:					
For issuance premiums (discounts)	(863,971)	(283,554)	(61,074)	(1,086,451)	(77,936)
Total bonds payable	31,161,029	9,176,446	613,926	39,723,549	767,064
Due to developers for operating advances (see below)	74,546			74,546	----------
Due to developers for construction (see below)	11,151,951	7,228,627	8,022,278	10,358,300	----------
Total due to developers	11,226,497	7,228,627	8,022,278	10,432,846	0
Total long-term liabilities	$ 42,387,526	$ 16,405,073	$ 8,636,204	$ 50,156,395	$ 767,064

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 845,000	$ 1,663,943	$ 2,508,943
2027	1,090,000	1,706,352	2,796,352
2028	1,140,000	1,641,956	2,781,956
2029	1,180,000	1,578,124	2,758,124
2030	1,240,000	1,513,391	2,753,391
2031 - 2035	7,030,000	6,619,373	13,649,373
2036 - 2040	8,705,000	4,963,448	13,668,448
2041 - 2045	10,780,000	2,952,224	13,732,224
2046 - 2050	8,800,000	690,532	9,490,532
	$ 40,810,000	$ 23,329,343	$ 64,139,343

The bond issues payable at December 31, 2025, were as follows:

	Series 2022 Road	Series 2022 Utility	Series 2023 Road
Amounts outstanding, December 31, 2025	$8,240,000	$10,070,000	$7,415,000
Interest rates	3.00% to 5.25%	4.125% to 6.625%	4.25% to 6.00%
Maturity dates, serially beginning/ending	March 1, 2026/2047	March 1, 2026/2048	March 1, 2026/2048
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2027*	November 1, 2029*	March 1, 2029*

	Series 2024 Utility	Series 2025 Road
Amounts outstanding, December 31, 2025	$5,625,000	$9,460,000
Interest rates	4.00% to 6.00%	4.00% to 6.50%
Maturity dates, serially beginning/ending	March 1, 2026/2049	March 1, 2027/2050
Interest payment dates	March 1/September 1	March 1/September 1

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

Utility bonds voted	$ 239,522,703
Utility bonds approved for sale and sold	15,940,000
Utility bonds voted and not issued	223,582,703
Road bonds voted	145,861,502
Road bonds approved for sale and sold	26,045,000
Road bonds voted and not issued	119,816,502
Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued

In accordance with the Series 2024 utility and Series 2025 road Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year, Series 2024 utility bonds	$ 240,100
6 months' interest from sale of Series 2025 road bonds	218,125
Deduct appropriation for bond interest paid, Series 2024 utility bonds	(240,100)
Bond interest reserve, end of year, Series 2025 road bonds	$ 218,125

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at December 31, 2025, was $10,358,300. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The developer within the District has advanced funds to the District to cover initial operating deficits. At December 31, 2025, the cumulative amount of unreimbursed developer advances was $74,546. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of $826,488.

NOTE 6: PROPERTY TAXES

The Denton County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county 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. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held November 5, 2019, the voters within the District authorized a maintenance tax not to exceed $1.20 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On September 25, 2025, the District levied the following ad valorem taxes for the 2025 tax year and the 2026 fiscal year on the adjusted taxable valuation of $379,783,394:

	Rate	Amount
Debt service, utility	$ 0.2550	$ 968,448
Debt service, road	0.3900	1,481,155
Maintenance	0.0600	227,870
	$ 0.7050	$ 2,677,473

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2025 tax year total property tax levy	$ 2,677,473
2025 tax year total property tax levy deferred to 2026 fiscal year	(2,677,473)
2024 tax year total property tax levy deferred to 2025 fiscal year	1,957,301
Appraisal district adjustments to prior year taxes	13,805
Statement of Activities property tax revenues	$ 1,971,106

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and an authorized private sector investment pool (Texas CLASS). The private sector investment pool is rated AAAm by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was $1,608,606.

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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

On December 31, 2025, the District had physical damage and boiler and machinery coverage of $400,000, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate and consultant's crime coverage of $10,000.

NOTE 9: TOWN OF NORTHLAKE

The District lies wholly within the corporate limits of the Town of Northlake (the “Town”) and obtains water, sewer, drainage and drainage service from the Town. In consideration of the District's acquiring and constructing these systems on behalf of the Town, the Town will own, operate and maintain such systems.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	$ 223,500	$ 223,500	$ 293,494	$ 69,994
Interest on deposits	26,000	26,000	31,259	5,259
TOTAL REVENUES	249,500	249,500	324,753	75,253
EXPENDITURES				
Service operations:				
Professional fees	55,000	55,000	54,213	(787)
Contracted services	12,000	12,000	15,845	3,845
Repairs and maintenance	150,000	150,000	75,366	(74,634)
Administrative expenditures	9,260	9,260	8,456	(804)
TOTAL EXPENDITURES	226,260	226,260	153,880	(72,380)
EXCESS REVENUES (EXPENDITURES)	23,240	23,240	170,873	147,633
FUND BALANCE, BEGINNING OF YEAR	655,437	655,437	655,437	0
FUND BALANCE, END OF YEAR	$ 678,677	$ 678,677	$ 826,310	$ 147,633

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DECEMBER 31, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2025

1. Services Provided by the District during the Fiscal Year:

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

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

X Other All services are provided by the Town of Northlake.

2. Retail Service Providers

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

      Contact the Town of Northlake.

   b. Water and Wastewater Retail Connections:

      Contact the Town of Northlake.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

   Contact the Town of Northlake.

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

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

   If yes, date of the most recent Commission Order: _____

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

   If yes, date of the most recent Commission Order: _____

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 8,500	$	$	8,500
Legal	35,185	928		36,113
Engineering	10,528			10,528
	54,213	928	0	55,141
Contracted services:				
Bookkeeping	14,824			14,824
Tax assessor-collector	1,021			1,021
Appraisal district		14,968		14,968
	15,845	14,968	0	30,813
Repairs and maintenance	75,366	0	0	75,366
Administrative expenditures:				
Insurance	6,229			6,229
Other	2,227	210		2,437
	8,456	210	0	8,666
CAPITAL OUTLAY				
Authorized expenditures	0	0	8,022,278	8,022,278
DEBT SERVICE				
Principal retirement	0	675,000	0	675,000
Bond issuance expenditures	0	0	505,766	505,766
Interest and fees:				
Interest		1,301,417	426,835	1,728,252
Paying agent fees		1,600		1,600
	0	1,303,017	426,835	1,729,852
TOTAL EXPENDITURES	$ 153,880	$ 1,994,123	$ 8,954,879	$ 11,102,882

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 31,259	$ 2,182,461	$ 3,719	$ 2,217,439
Maintenance tax receipts		242,028		242,028
Transfer of maintenance taxes	287,870			287,870
Proceeds from sale of bonds		218,125	8,958,321	9,176,446
Transfer from other fund in error	1,710,630			1,710,630
Reimbursement from other fund	63,848			63,848
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	2,093,607	2,642,614	8,962,040	13,698,261
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	237,202	16,106		253,308
Capital outlay			7,979,178	7,979,178
Debt service		1,978,017	932,601	2,910,618
Other fund	16,410			16,410
Transfer of maintenance taxes		287,870		287,870
Transfer to other fund in error		1,710,630		1,710,630
Reimbursement to other fund			63,848	63,848
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	253,612	3,992,623	8,975,627	13,221,862
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	1,839,995	(1,350,009)	(13,587)	476,399
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	560,127	2,535,924	135,683	3,231,734
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 2,400,122	$ 1,185,915	$ 122,096	$ 3,708,133

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

DECEMBER 31, 2025

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
Texas CLASS				
No. TX-01-1087-0001	Market	On demand	$ 702,969	$ 0
DEBT SERVICE FUND				
Certificates of Deposit				
No. 9009004959	4.15%	2/20/26	$ 245,000	$ 965
Texas CLASS				
No. TX-01-1087-0002	Market	On demand	$ 518,732	$ 0
No. TX-01-1087-0003	Market	On demand	386,905	0
			$ 905,637	$ 0
Total – All Funds			$ 1,853,606	$ 965

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2025

	Maintenance Taxes	Road Debt Service Taxes	Utility Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 94,586	$ 288,145	$ 252,211
Additions and corrections to prior year taxes	2,056	6,266	5,483
Adjusted receivable, beginning of year	96,642	294,411	257,694
2025 ADJUSTED TAX ROLL	227,870	1,481,155	968,448
Total to be accounted for	324,512	1,775,566	1,226,142
Tax collections: Current tax year	(145,564)	(946,164)	(618,646)
Prior tax years	(96,464)	(293,985)	(257,237)
RECEIVABLE, END OF YEAR	$ 82,484	$ 535,417	$ 350,259
RECEIVABLE, BY TAX YEAR			
2023	$ 103	$ 198	$ 257
2024	75	228	200
2025	82,306	534,991	349,802
RECEIVABLE, END OF YEAR	$ 82,484	$ 535,417	$ 350,259

Fiscal year 2025 General Fund property tax revenue of $293,494 under the modified accrual basis of accounting is comprised of prior tax year collections of $96,464 during fiscal year 2025 and 2024 tax year collections of $197,030 during fiscal year 2024.

Fiscal year 2025 Debt Service Fund property tax revenue of $1,677,108 under the modified accrual basis of accounting is comprised of prior tax year collections of $551,222 during fiscal year 2025 and 2024 tax year collections of $1,125,886 during fiscal year 2024.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2025

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2025	2024	2023	2022
Land	$ 98,170,199	$ 89,169,181	$ 67,645,510	$ 58,945,838
Improvements	298,056,754	210,172,680	166,851,080	62,982,687
Personal property	625,719	434,315	967,237	236,904
Less exemptions	(17,069,278)	(20,187,028)	(18,260,509)	(10,203,556)
TOTAL PROPERTY VALUATIONS	$ 379,783,394	$ 279,589,148	$ 217,203,318	$ 111,961,873
Debt service tax rates, utility	$ 0.25500	$ 0.28000	$ 0.32500	$ 0.49000
Debt service tax rates, road	0.39000	0.32000	0.25000	0.00000
Maintenance tax rates*	0.06000	0.10500	0.13000	0.21500
TOTAL TAX RATES PER $100 VALUATION	$ 0.70500	$ 0.70500	$ 0.70500	$ 0.70500
TAX ROLLS	$ 2,677,473	$ 1,957,299	$ 1,538,978	$ 777,838
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	63.9 %**	99.9 %	99.9 %	100 %

*Maximum tax rate approved by voters on November 5, 2019: $1.20

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

DECEMBER 31, 2025

	Series 2022 Road		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 270,000	$ 252,376	$ 522,376
2027	275,000	238,069	513,069
2028	285,000	226,575	511,575
2029	295,000	217,875	512,875
2030	305,000	208,875	513,875
2031	310,000	199,650	509,650
2032	320,000	190,200	510,200
2033	330,000	180,450	510,450
2034	340,000	170,400	510,400
2035	350,000	160,050	510,050
2036	365,000	149,325	514,325
2037	375,000	138,225	513,225
2038	385,000	126,825	511,825
2039	395,000	115,125	510,125
2040	410,000	103,050	513,050
2041	420,000	90,600	510,600
2042	435,000	77,775	512,775
2043	445,000	64,575	509,575
2044	460,000	51,000	511,000
2045	475,000	36,975	511,975
2046	490,000	22,500	512,500
2047	505,000	7,575	512,575
TOTALS	$ 8,240,000	$ 3,028,070	$ 11,268,070

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Series 2022 Utility		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 255,000	$ 486,122	$ 741,122
2027	265,000	468,896	733,896
2028	280,000	450,843	730,843
2029	290,000	431,962	721,962
2030	305,000	412,253	717,253
2031	320,000	391,750	711,750
2032	335,000	372,975	707,975
2033	350,000	355,850	705,850
2034	365,000	337,975	702,975
2035	385,000	319,225	704,225
2036	400,000	299,600	699,600
2037	420,000	279,100	699,100
2038	440,000	257,600	697,600
2039	460,000	236,250	696,250
2040	480,000	215,100	695,100
2041	500,000	193,050	693,050
2042	525,000	169,988	694,988
2043	550,000	145,800	695,800
2044	575,000	120,488	695,488
2045	600,000	94,800	694,800
2046	630,000	68,663	698,663
2047	655,000	41,766	696,766
2048	685,000	14,128	699,128
TOTALS	$ 10,070,000	$ 6,164,184	$ 16,234,184

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Series 2023 Road		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 180,000	$ 353,875	$ 533,875
2027	190,000	342,775	532,775
2028	200,000	331,075	531,075
2029	205,000	318,925	523,925
2030	220,000	308,100	528,100
2031	230,000	298,538	528,538
2032	240,000	288,550	528,550
2033	250,000	278,137	528,137
2034	265,000	267,029	532,029
2035	280,000	254,932	534,932
2036	290,000	242,107	532,107
2037	305,000	228,528	533,528
2038	320,000	213,875	533,875
2039	335,000	198,319	533,319
2040	355,000	181,931	536,931
2041	370,000	164,712	534,712
2042	390,000	146,662	536,662
2043	410,000	127,662	537,662
2044	430,000	107,712	537,712
2045	450,000	86,250	536,250
2046	475,000	63,125	538,125
2047	500,000	38,750	538,750
2048	525,000	13,125	538,125
TOTALS	$ 7,415,000	$ 4,854,694	$ 12,269,694

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Series 2024 Utility		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 140,000	$ 235,900	$ 375,900
2027	145,000	227,350	372,350
2028	150,000	218,500	368,500
2029	155,000	209,350	364,350
2030	165,000	199,750	364,750
2031	170,000	191,400	361,400
2032	180,000	184,400	364,400
2033	185,000	177,100	362,100
2034	195,000	169,500	364,500
2035	200,000	161,600	361,600
2036	210,000	153,400	363,400
2037	220,000	144,800	364,800
2038	230,000	135,800	365,800
2039	240,000	126,400	366,400
2040	250,000	116,600	366,600
2041	260,000	106,400	366,400
2042	270,000	95,800	365,800
2043	285,000	84,700	369,700
2044	295,000	73,100	368,100
2045	310,000	61,000	371,000
2046	320,000	48,400	368,400
2047	335,000	35,300	370,300
2048	350,000	21,600	371,600
2049	365,000	7,300	372,300
TOTALS	$ 5,625,000	$ 3,185,450	$ 8,810,450

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

Due During Fiscal Years Ending December 31	Series 2025 Road		
	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$	$ 335,670	$ 335,670
2027	215,000	429,262	644,262
2028	225,000	414,963	639,963
2029	235,000	400,012	635,012
2030	245,000	384,413	629,413
2031	260,000	368,000	628,000
2032	270,000	350,775	620,775
2033	285,000	332,737	617,737
2034	300,000	315,975	615,975
2035	315,000	302,175	617,175
2036	330,000	289,275	619,275
2037	345,000	275,775	620,775
2038	365,000	261,575	626,575
2039	380,000	245,963	625,963
2040	400,000	228,900	628,900
2041	420,000	210,962	630,962
2042	440,000	191,875	631,875
2043	465,000	171,513	636,513
2044	490,000	150,025	640,025
2045	510,000	128,800	638,800
2046	535,000	107,900	642,900
2047	565,000	85,900	650,900
2048	590,000	62,800	652,800
2049	620,000	38,600	658,600
2050	655,000	13,100	668,100
TOTALS	$ 9,460,000	$ 6,096,945	$ 15,556,945

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

Due During Fiscal Years Ending December 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2026	$ 845,000	$ 1,663,943	$ 2,508,943
2027	1,090,000	1,706,352	2,796,352
2028	1,140,000	1,641,956	2,781,956
2029	1,180,000	1,578,124	2,758,124
2030	1,240,000	1,513,391	2,753,391
2031	1,290,000	1,449,338	2,739,338
2032	1,345,000	1,386,900	2,731,900
2033	1,400,000	1,324,274	2,724,274
2034	1,465,000	1,260,879	2,725,879
2035	1,530,000	1,197,982	2,727,982
2036	1,595,000	1,133,707	2,728,707
2037	1,665,000	1,066,428	2,731,428
2038	1,740,000	995,675	2,735,675
2039	1,810,000	922,057	2,732,057
2040	1,895,000	845,581	2,740,581
2041	1,970,000	765,724	2,735,724
2042	2,060,000	682,100	2,742,100
2043	2,155,000	594,250	2,749,250
2044	2,250,000	502,325	2,752,325
2045	2,345,000	407,825	2,752,825
2046	2,450,000	310,588	2,760,588
2047	2,560,000	209,291	2,769,291
2048	2,150,000	111,653	2,261,653
2049	985,000	45,900	1,030,900
2050	655,000	13,100	668,100
TOTALS	$ 40,810,000	$ 23,329,343	$ 64,139,343

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED DECEMBER 31, 2025

	(1)	(2)	(3)
Bond Series:	2022 Road	2022 Utility	2023 Road
Interest Rate:	3.00% to 5.25%	4.125% to 6.625%	4.25% to 6.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2026/2047	March 1, 2026/2048	March 1, 2026/2048
Bonds Outstanding at Beginning of Current Year	$ 8,500,000	$ 10,315,000	$ 7,585,000
Less Retirements	(260,000)	(245,000)	(170,000)
Bonds Outstanding at End of Current Year	$ 8,240,000	$ 10,070,000	$ 7,415,000
Current Year Interest Paid	$ 266,288	$ 502,684	$ 364,375

Bond Descriptions and Original Amount of Issue

(1) Northlake Municipal Management District No. 2 of Denton County Unlimited Tax Road Bonds, Series 2022 ($9,000,000)

(2) Northlake Municipal Management District No. 2 of Denton County Unlimited Tax Utility Bonds, Series 2022 ($10,315,000)

(3) Northlake Municipal Management District No. 2 of Denton County Unlimited Tax Road Bonds, Series 2023 ($7,585,000)

Paying Agent/Registrar

(1) (2) (3) BOKF, N.A., Dallas, Texas

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2025

	(4)	(5)	Totals
Bond Series:	2024 Utility	2025 Road	
Interest Rate:	4.00% to 6.00%	4.00% to 6.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2026/2049	March 1, 2027/2050	
Bonds Outstanding at Beginning of Current Year	$ 5,625,000	$	$ 32,025,000
Add Bonds Sold		9,460,000	9,460,000
Less Retirements			(675,000)
Bonds Outstanding at End of Current Year	$ 5,625,000	$ 9,460,000	$ 40,810,000
Current Year Interest Paid	$ 168,070	$ 0	$ 1,301,417

Bond Descriptions and Original Amount of Issue

(4) Northlake Municipal Management District No. 2 of Denton County Unlimited Tax Utility Bonds, Series 2024 ($5,625,000)

(5) Northlake Municipal Management District No. 2 of Denton County Unlimited Tax Road Bonds, Series 2025 ($9,460,000)

Paying Agent/Registrar

(4) (5) BOKF, N.A., Dallas, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 385,384,205	$ 0	See Note 5
Amount Issued:	41,985,000		
Remaining to be Issued:	343,399,205		

Net Debt Service Fund deposits and investments balances as of December 31, 2025: $1,042,518
Average annual debt service payment for remaining term of all debt: 2,565,574

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
REVENUES										
Property taxes	$ 293,494	$ 295,681	$ 249,186	$ 297,773	$ 160,782	90.4 %	90.9 %	96.7 %	99.1 %	98.6 %
Penalty and interest	31,259	29,596	8,488	2,581	2,226	9.6	9.1	3.3	0.9	1.4
TOTAL REVENUES	324,753	325,277	257,674	300,354	163,008	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	54,213	46,657	46,769	49,780	21,582	16.7	14.3	18.2	16.5	13.2
Contracted services	15,845	12,560	18,089	11,020	4,535	4.9	3.9	7.0	3.7	2.8
Repairs and maintenance	75,366	159,236	0	0	0	23.2	48.9	0.0	0.0	0.0
Administrative expenditures	8,456	7,382	8,052	8,294	6,830	2.6	2.3	3.1	2.8	4.2
TOTAL EXPENDITURES	153,880	225,835	72,910	69,094	32,947	47.4	69.4	28.3	23.0	20.2
EXCESS REVENUES (EXPENDITURES)	$ 170,873	$ 99,442	$ 184,764	$ 231,260	$ 130,061	52.6 %	30.6 %	71.7 %	77.0 %	79.8 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT				PERCENT OF TOTAL REVENUES			
	2025	2024	2023	2022*	2025	2024	2023	2022
REVENUES								
Property taxes	$ 1,677,108	$ 1,251,982	$ 553,887	$	96.2 %	95.2 %	96.1 %	0.0 %
Penalty and interest	5,349	3,512	2,906		0.3	0.3	0.5	22.0
Accrued interest on bonds received at date of sale				11,642	0.0	0.0	0.0	22.0
Interest on deposits	60,706	59,170	19,543	3,283	3.5	4.5	3.4	78
TOTAL REVENUES	1,743,163	1,314,664	576,336	14,925	100.0	100.0	100.0	122.0
EXPENDITURES								
Current:								
Professional fees	928	147	845		0.1	0.0	0.1	0.0
Contracted services	14,968	11,654	532		0.9	0.9	0.1	0.0
Other expenditures	210	290	700	480	0.0	0.0	0.1	3.2
Debt service:								
Principal retirement	675,000	255,000	245,000		38.7	19.4	42.5	0.0
Interest and fees	1,303,017	1,091,666	707,728	149,681	74.7	83.1	122.9	1002.9
TOTAL EXPENDITURES	1,994,123	1,358,757	954,805	150,161	114.4	103.4	165.7	1006.1
EXCESS REVENUES (EXPENDITURES)	$ (250,960)	$ (44,093)	$ (378,469)	$ (135,236)	(14.4) %	(3.4) %	(65.7) %	(884.1) %

*First year of financial activity.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

DECEMBER 31, 2025

Complete District Mailing Address: Northlake Municipal Management District No. 2 of Denton County
c/o Coats Rose, P.C.
16000 North Dallas Parkway, Suite 350
Dallas, Texas 75248

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: February 10, 2026

Limit on Fees of Office that a Director may receive during a fiscal year: $7,200

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Benjamin Romski c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 5/14/25-5/14/29	$ 0	$ 175	President
Grant Dawson c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 11/25/24-5/14/27	0	101	Vice President
Timothy Short c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 11/21/25-5/14/29	0	0	Secretary
John Thomson c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 3/04/25-5/14/27	0	118	Assistant Secretary
Colin Byrne c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 4/16/24-5/14/27	0	74	Assistant Secretary

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 2 OF DENTON COUNTY

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

DECEMBER 31, 2025

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	6/19/19	$ 35,185 232,707 Bonds	Attorney
McCreary, Veselka, Bragg & Allen, P.C. 700 Jeffrey Way, Suite100 Round Rock, Texas 78665	11/16/20	928	Delinquent Tax Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	6/19/19	14,824 1,500 Bonds	Bookkeeper
JBI Partners, Inc. 2121 Midway Road, Suite 300 Carollton, Texas 75006	6/19/19	10,528	Engineer
Denton County Tax Assessor Collector Denton County Annex 101 N. Washington Kaufman, Texas 75142	11/13/19	1,021	Tax Assessor-Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	14,968	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	6/19/19	195,347 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	12/16/20	8,500 5,450 Bonds	Independent Auditor

APPENDIX B

SPECIMENT 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