OFFICIAL STATEMENT DATED AUGUST 13, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER THE STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION. SEE "LEGAL MATTERS."

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

NEW ISSUE – Book Entry Only

Moody's (Underlying) .... "Baa3"
Utility Bonds: S&P Global Ratings (BAM insured) ...."AA"
Road Bonds: S&P Global Ratings (AGM insured)........"AA"
Moody's (AGM insured) .... "A2"

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

$9,045,000 **Unlimited Tax Utility Bonds** **Series 2020**	**$4,215,000** **Unlimited Tax Road Bonds** **Series 2020**

Dated: September 1, 2020 — Due: May 1, as shown on inside cover page

The $9,045,000 Unlimited Tax Utility Bonds, Series 2020 (the "Utility Bonds") and $4,215,000 Unlimited Tax Road Bonds, Series 2020 (the "Road Bonds"), are obligations of Highway 380 Municipal Management District No. 1 (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Little Elm, Texas; or any entity other than the District. The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds." Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town of Little Elm, 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 Zions Bancorporation, National Association, Houston, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds 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 September 1, 2020, and is payable on May 1, 2021, and each November 1 and May 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.

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

The scheduled payment of principal of and interest on the Road Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Road Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

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

The Bonds, when issued, will be payable from the proceeds of two annual ad valorem taxes, each without legal limit as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to 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. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 15, 2020.

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

$9,045,000 Unlimited Tax Utility Bonds, Series 2020

$5,415,000 Serial Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)	Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)
2022	$280,000	4.375%	0.600%	HA9	2030 (c)	$340,000	2.000%	1.500%	HJ0
2023	285,000	4.375%	0.700%	HB7	2031 (c)	350,000	2.000%	1.600%	HK7
2024	295,000	4.375%	0.800%	HC5	2032 (c)	360,000	2.000%	1.700%	HL5
2025	300,000	4.375%	0.900%	HD3	2033 (c)	365,000	2.000%	1.800%	HM3
2026 (c)	310,000	3.750%	1.000%	HE1	2034 (c)	375,000	2.000%	1.900%	HN1
2027 (c)	315,000	2.000%	1.200%	HF8	2035 (c)	385,000	2.000%	2.000%	HP6
2028 (c)	325,000	2.000%	1.300%	HG6	2036 (c)	395,000	2.000%	2.050%	HQ4
2029 (c)	330,000	2.000%	1.400%	HH4	2037 (c)	405,000	2.000%	2.100%	HR2

$3,630,000 Term Bonds

$840,000 Term Bond due May 1, 2039 (c)(d) Interest Rate 2.000% (Price: $96.955) (a) CUSIP No. 43124A HT8 (b)
$885,000 Term Bond due May 1, 2041 (c)(d) Interest Rate 1.875% (Price: $92.269) (a) CUSIP No. 43124A HV3 (b)
$1,905,000 Term Bond due May 1, 2045 (c)(d) Interest Rate 1.875% (Price: $90.279) (a) CUSIP No. 43124A HZ4(b)

$4,215,000 Unlimited Tax Road Bonds, Series 2020

$2,545,000 Serial Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)	Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)
2022	$130,000	3.000%	0.500%	JA7	2031 (c)	$160,000	2.000%	1.800%	JK5
2023	130,000	3.000%	0.600%	JB5	2032 (c)	165,000	2.000%	1.900%	JL3
2024	135,000	3.000%	0.700%	JC3	2033 (c)	170,000	2.000%	2.000%	JM1
2025	140,000	2.000%	0.800%	JD1	2034 (c)	175,000	2.000%	2.050%	JN9
2026 (c)	145,000	2.000%	0.900%	JE9	****	****	****	****	****
2027 (c)	145,000	2.000%	1.000%	JF6	2037 (c)	190,000	2.000%	2.150%	JR0
2028 (c)	150,000	2.000%	1.150%	JG4	2038 (c)	195,000	2.000%	2.200%	JS8
2029 (c)	155,000	2.000%	1.300%	JH2	2039 (c)	200,000	2.000%	2.250%	JT6
2030 (c)	160,000	2.000%	1.600%	JJ8					

$1,670,000 Term Bonds

$365,000 Term Bond due May 1, 2036 (c)(d) Interest Rate 2.000% (Price: $98.672) (a) CUSIP No. 43124A JQ2 (b)
$1,305,000 Term Bond due May 1, 2045 (c)(d) Interest Rate 2.125% (Price: $96.722) (a) CUSIP No. 43124A JZ2 (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 S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on May 1, 2026, 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 May 1, 2025, 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 Redemtpion*."

(d) Subject to mandatory redemption as provided 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., 14755 Preston Road, Suite 600, Dallas, Texas 75254, 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 – UTILITY BONDS" and "APPENDIX B – BAM Specimen Municipal Bond Insurance Policy."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Road Bonds or the advisability of investing in the Road Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE – ROAD BONDS" and "APPENDIX C – AGM 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 "PREPARATION OF OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Huntington Securities, Inc. (the "Utility Bonds Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.00% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.240876%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.226807% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.270135%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Throughout this Official Statement, the term "Initial Purchaser" refers to the Utility Bonds Initial Purchaser in its capacity as purchaser of the Utility Bonds as well as the Road Bonds Initial Purchaser as purchaser of the Road Bonds.

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.

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

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.

Delivery of Official Statements

The District shall furnish to the Initial Purchaser (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Initial Purchaser. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Initial Purchaser may reasonably request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Initial Purchaser and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchaser shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE – UTILITY BONDS

Utility Bonds Insurance Policy

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

The Utility Bonds Insurance 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 solely to issuers in the U.S. public finance markets. BAM will only insure obligations of 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: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.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 www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the 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 Utility 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 Utility Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Utility 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 Utility Bonds, nor does it guarantee that the rating on the Utility Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $459.6 million, $126.1 million and $333.5 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.buildamerica.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 Utility Bonds or the advisability of investing in the Utility 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 this heading "MUNICIPAL BOND INSURANCE – UTILITY BONDS."

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 buildamerica.com/creditinsights/. (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 buildamerica.com/obligor/. 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 Utility 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 Utility Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Utility Bonds, whether at the initial offering or otherwise.

MUNICIPAL BOND INSURANCE – ROAD BONDS

Road Bonds Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings actions that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately $2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

i. the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
ii. the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020; and
iii. the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

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

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

Miscellaneous Matters

AGM makes no representation regarding the Road Bonds or the advisability of investing in the Road Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE – ROAD BONDS."

RATINGS

The Utility Bonds have been assigned an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Utility Bonds. An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect of the market price of the Utility Bonds.

The Road Bonds have been assigned an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy at the time of delivery of the Road Bonds by Assured Guaranty Municipal Corp. 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. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Road Bonds.

The Road Bonds have been assigned an insured rating of "A2" from Moody's solely in reliance upon the issuance of the Policy at the time of delivery of the Road Bonds by Assured Guaranty Municipal Corp. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

Moody's has also assigned an underlying credit rating of "Baa3" to the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of S&P and Moody's.

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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	Highway 380 Municipal Management District No. 1 (the "District"), a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, created under the authority of Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59 of the Texas Constitution and operating under and governed by the provisions of Chapter 3920, Special District Local Laws Code (the "District Act") and Chapter 375, Local Government Code, and Chapters 49 and 54, Texas Water Code, as amended, is located in the Town of Little Elm, Denton County, Texas (the "Town"). See "THE DISTRICT."
The Issue	The District's $9,045,000 Unlimited Tax Utility Bonds, Series 2020 (the "Utility Bonds"), are dated September 1, 2020, and mature on May 1 in the years and in the principal amounts as shown on the inside cover page hereof. The District's $4,215,000 Unlimited Tax Road Bonds, Series 2020 (the "Road Bonds"), are also dated September 1, 2020, and mature on May 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds." Interest on the Bonds accrues from September 1, 2020, at the rates shown on the inside cover hereof and is payable on May 1, 2021, and on each November 1 and May 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 May 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or in part, on May 1, 2025, 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 Utility Bonds maturing on May 1 in the years 2039, 2041 and 2045 are term bonds (the "Utility Bonds Term Bonds") which have certain mandatory redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*." The Road Bonds maturing on May 1 in the years 2036 and 2045 are also term bonds (the "Road Bonds Term Bonds") which have certain mandatory redemption provisions as provided herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of two annual ad valorem taxes, each without legal limitation as to rate or amount, levied by the District against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town; or any entity other than the District. See "THE BONDS – Source and Security for Payment."

Public Improvements Agreement .... Effective October 15, 2013, the District entered into that Public Improvements Agreement and Chapter 380 Economic Development Program and Agreement (the "Public Improvements Agreement") with the Town and the Developer (hereinafter defined). The Public Improvements Agreement provides for the Town to rebate to the District 46.00% of the ad valorem tax revenue that the Town actually collects on taxable property within the District (the "Rebate"). Pursuant to the Public Improvements Agreement, the Rebate will be used by the District to pay for the design and construction of the District's Road System (hereinafter defined), Utility System (hereinafter defined), recreational facilities, firefighting facilities, and/or to pay debt service on bonds issued by the District for such purposes. While the District intends to use the Rebate to pay debt service on the Bonds, the Rebate is **not** pledged to the payment of debt service on the Bonds. See "THE BONDS – Public Improvements Agreement."

Authority for Issuance of Utility Bonds .... The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality ("TCEQ"); Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 375, Local Government Code; an order authorizing issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and elections held within the boundaries of the District on May 9, 2015, and May 7, 2016.

The Utility Bonds are the fourth series of unlimited tax bonds to be issued by the District out of an aggregate $69,825,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing a water, sewer and drainage system to serve the District (the "Utility System"). After issuance of the Utility Bonds, $45,210,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

Authority for Issuance of Road Bonds .... The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 375, Local Government Code; an order authorizing issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and elections held within the boundaries of the District on May 9, 2015, and May 7, 2016.

The Road Bonds are the fifth series of unlimited tax bonds to be issued by the District out of an aggregate $118,450,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing roads and improvements in aid thereof serving the District (the "Road System"). After issuance of the Road Bonds, $96,495,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

Outstanding Bonds .... The District has previously issued seven (7) series of unlimited tax bonds: four (4) series for the purpose of acquiring or constructing the Road System and three (3) series for the purpose of acquiring or constructing the Utility System. Of such seven (7) series of unlimited tax bonds, $32,440,000 principal amount remains outstanding as of July 1, 2020 (the "Outstanding Bonds").

Payment Record	The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.
Short-Term Debt	In connection with the Utility Bonds, the District has issued its $5,100,000 Bond Anticipation Note, Series 2019, dated December 12, 2019 (the "BAN"), and distributed proceeds from sale of the BAN as described below. The BAN accrues interest at a rate of 2.68% per year (computed on the basis of a 360-day year and actual days elapsed) and matures on December 11, 2020, unless called for redemption prior to maturity.
Use of Proceeds of Utility Bonds	Proceeds from sale of the Utility Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the construction costs set out herein under "THE BONDS – Use and Distribution of Proceeds of Utility Bonds." Proceeds of the Utility Bonds will also be used to: reimburse the Developer for the portion of said construction costs that was not reimbursed by the BAN, pay six (6) months of capitalized interest on the Utility Bonds, and to pay costs of issuance associated with the Utility Bonds. See "THE BONDS – Use and Distribution of Proceeds of Utility Bonds" for further information.
Use of Proceeds of Road Bonds	Proceeds from sale of the Road Bonds will be used to reimburse the Developer (herein defined) for the construction costs set out herein under "THE BONDS – Use and Distribution of Proceeds of Road Bonds." Proceeds of the Road Bonds will also be used to pay six (6) months of capitalized interest on the Road Bonds and to pay costs of issuance associated with the Road Bonds. See "THE BONDS – Use and Distribution of Proceeds of Road Bonds" for further information.
Not Qualified Tax-Exempt Obligations	The District has <u>not</u> designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.
Municipal Bond Insurance	The Utility Bonds: Build America Mutual Assurance Company ("BAM"). The Road Bonds: Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE – UTILITY BONDS" and "MUNICIPAL BOND INSURANCE – ROAD BONDS" above.
Ratings	Moody's (underlying) – "Baa3". The Utility Bonds: S&P Global Ratings (BAM insured) – "AA". The Road Bonds: Moody's (AGM insured) – "A2". S&P Global Ratings (AGM insured) – "AA". See "RATINGS".
Bond Counsel	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Houston, Texas.

THE DISTRICT

Description .... The District is located approximately 32 miles northwest of the central downtown business district of the City of Dallas, Texas, and lies wholly within the corporate limits of the Town. The District is located within Denton Independent School District and is bordered generally by farmland on the north, by FM 1385 on the east, by U.S. Highway 380 on the south, and by Navo Road on the west. Access to the District is provided by the Dallas North Tollway to U.S. Highway 380 and west to Union Park Boulevard.

The District was created pursuant to the District Act; Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59 of the Texas Constitution; Chapter 375, Local Government Code; and Chapters 49 and 54, Texas Water Code, as amended. See "THE DISTRICT – General."

Authority .... The rights, powers, privileges, authority, and functions of the District are established by the District Act and include, among others, the power to provide road, water, sanitary sewer, and drainage facilities. See "THE DISTRICT – General."

The Developer .... H4 Little Elm, L.P., a Texas limited partnership ("H4 Little Elm") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including approximately 757 acres of land in the District by and through its affiliate entities such as Union Park Phase 1, LP, Union Park Phase 2, LP, Union Park Phase 2BCD, LP, and Union Park Phase 3A, LP. The partners of H4 Little Elm include: BOH Investments GP, LLC, a Delaware limited liability company ("GP"), and BOH Subpartnership, L.P., a Texas limited partnership ("LP"). GP is the general partner of H4 Little Elm. UPH4 McCutchin, L.P., a Texas limited partnership ("UPH4") and affiliate of H4 Little Elm, was also formed for the purpose of acquiring and holding certain lands within the District for investment and sale by and through its affiliate entities. UPH4 has acquired approximately 328 acres of land within the District for such purposes. The partners of UPH4 include: GP and UP Project, LLC. GP is the general partner of UPH4. H4 Little Elm and UPH4 have determined the overall development plan for such land in the District and arranged for financing the construction of water, sewer, drainage and road facilities within the District either directly or through affiliate entities. Throughout this Official Statement, H4 Little Elm and UPH4 and their affiliate entities are referred to collectively as the "Developer."

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

Within the District, the Developer and its affiliate entities described herein currently own: approximately 49.12 acres that are under construction for the development of residential sections, approximately 283.76 undeveloped but developable acres, and approximately 824 vacant developed lots within the District.

In December of 2016, the Developer sold approximately 114 acres of developable land within the District to Pulte Homes of Texas, L.P. ("Pulte"). Pulte has completed development of such acreage as 288 single-family lots in the residential subdivision of Del Webb at Union Park, Phase 1. In September of 2018, the Developer sold approximately 64 additional acres of developable land within the District to Pulte. Pulte has completed the development of such acreage as 321 single-family lots in the residential subdivision of Del Webb at Union Park, Phase 2. Pulte is a subsidiary of PulteGroup, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. Pulte is actively developing and building homes in Dallas, Fort Worth, San Antonio, Austin, and Houston. For more information, visit www.pultegroupinc.com. See "THE DEVELOPERS" and "TAX DATA – Principal Taxpayers."

Union Park .... The master-planned community of Union Park is located entirely within the District. Approximately 3,350 single-family homes are ultimately planned to be constructed within Union Park along with walking trails, a 35-acre central park, a food truck park, a community center with resort-style pool, open air pavilion, and other amenities. See "UNION PARK."

Status of Development .... The District encompasses approximately 1,085 total acres of land. To date, approximately 1,900 single-family lots have been developed within the following residential subdivisions in the District: Union Park, Phases 1, 2, 3, and 4A and Del Webb at Union Park, Phases 1 and Phase 2. As of July 1, 2020, the District included approximately 928 completed homes (approximately 880 of which being occupied, 31 unoccupied, and 17 model homes), approximately 148 homes under construction, and approximately 824 vacant developed lots available for home construction. In addition, the following residential subdivision is currently under construction: Union Park, Phase 4B, is being constructed for the development of 195 single-family lots (approximately 49 acres) that are scheduled for delivery in October of 2020.

The subdivisions referenced above encompass a total of approximately 518 acres including lands for residential lots, road rights-of-way, open spaces, and detention area. The remaining land in the District includes: approximately 408 acres planned for development as additional residential sections; approximately 16 acres for Union Park Boulevard; approximately 12 acres on which an elementary school will be constructed; and approximately 82 acres that are planned for development as multi-use and commercial properties. See "UNION PARK" and "STATUS OF DEVELOPMENT."

Homebuilders .... Builders currently building homes within the District include American Legend Homes, Beazer Homes, Bloomfield Homes, Drees Custom Homes, DR Horton Homes, Highland Homes, and MHI Builders doing business as Plantation Homes. The homes being marketed in the District range in size from 1,800 to over 4,200 square feet and in price from approximately $252,000 to $432,000. See "HOMEBUILDERS WITHIN THE DISTRICT."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2019 Taxable Assessed Valuation	$ 265,571,729	(a)
2020 Certified Estimate of Assessed Valuation	$ 349,011,521	(b)
Estimated Valuation as of June 1, 2020	$ 416,000,000	(c)
Direct Debt:		
The Outstanding Bonds	$ 32,440,000	
The Utility Bonds	$ 9,045,000	
The Road Bonds	$ 4,215,000	
Total	$ 45,700,000	
Estimated Overlapping Debt	$ 27,327,943	(d)
Total Direct and Estimated Overlapping Debt	$ 73,027,943	(d)
Direct Debt Ratio:		
As a percentage of the 2019 Taxable Assessed Valuation	17.21	%
As a percentage of the 2020 Certified Estimate of Assessed Valuation	13.09	%
As a percentage of the Estimate of Value as of June 1, 2020	10.99	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2019 Taxable Assessed Valuation	27.50	%
As a percentage of the 2020 Certified Estimate of Assessed Valuation	20.92	%
As a percentage of the Estimate of Value as of June 1, 2020	17.55	%
Utility System Debt Service Fund Balance (as of July 9, 2020)	$825,933	(e)
Road System Debt Service Fund Balance (as of July 9, 2020)	$739,411	(f)
General Operating Fund Balance (as of July 9, 2020)	$365,580	

(a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2019, provided by the Denton Central Appraisal District ("DCAD"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by DCAD, such value represents DCAD's estimation of certified valuation of all taxable property within the District as of January 1, 2020. Such value includes $73,938,209 amount of assessed valuation under review by the Appraisal Review Boar ("ARB"), which represents 80% of such value under review. No taxes will be levied on this certified estimate of taxable value, which is subject to review and downward adjustment prior to certification. It is anticipated that DCAD will provide the certified taxable assessed valuation as of January 1, 2020 by the end of September 2020. See "TAX DATA" and "TAXING PROCEDURES."

(c) 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 June 1, 2020, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2020, through June 1, 2020. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(e) In addition, upon closing of the Utility Bonds, six (6) months of capitalized interest on the Utility Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Utility Bond Order requires 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, including the Road Bonds.

(f) In addition, upon closing of the Road Bonds, six (6) months of capitalized interest on the Road Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Road Bond Order requires 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, including the Utility Bonds.

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2019 Tax Rates		
Debt Service	$0.360	(a)
Maintenance & Operation	$0.155	
Total	$0.515	(b)
Average Annual Debt Service Requirement (2020–2045)	$2,472,916	(c)
Maximum Annual Debt Service Requirement (2042)	$2,758,938	(c)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2020–2045) at 95% Tax Collections:		
Based on the 2019 Taxable Assessed Valuation	$0.99	(d)
Based on the 2020 Certified Estimate of Assessed Valuation	$0.75	(d)
Based on the Estimate of Value as of June 1, 2020	$0.63	(d)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2042) at 95% Tax Collections:		
Based on the 2019 Taxable Assessed Valuation	$1.10	(d)
Based on the 2020 Certified Estimate of Assessed Valuation	$0.84	(d)
Based on the Estimate of Value as of June 1, 2020	$0.70	(d)
Number of Single-Family Homes	1,076	(e)

(a) Represents the combined debt service tax rate resulting from the following two taxes levied by the District: a tax in the amount of $0.165 for payment of debt service on the Outstanding Bonds issued for the Utility System and a tax of $0.195 for payment of debt service on the Outstanding Bonds issued for the Road System. The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS – Future Debt."

(b) For the 2020 tax year, the Board of Directors of the District has authorized publication of a notice of public hearing to consider a total tax rate in the amount of $0.515.

(c) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

(d) Represents the amount of the combined debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District's anticipated use of funds from the Rebate for payment of a portion of the debt service on the Outstanding Bonds and the Bonds. Based on the Town's 2019 tax rate of $0.649900 per $100 of assessed valuation with a 46% rebate, the District expects to receive a Rebate of approximately $0.30 per $100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds. While the District intends to use the Rebate to pay a portion of the debt service on the Outstanding Bonds and the Bonds, the Rebate is not pledged to the payment of debt service on the Outstanding Bonds and the Bonds. See "THE BONDS – Public Improvements Agreement."

(e) Approximate number of homes, including 928 complete homes and 148 homes under construction, within the District as of July 1, 2020.

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INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Highway 380 Municipal Management District No. 1 (the "District") of its $9,045,000 Unlimited Tax Utility Bonds, Series 2020 (the "Utility Bonds") and $4,215,000 Unlimited Tax Road Bonds, Series 2020 (the "Road Bonds"). The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds."

The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality ("TCEQ"); Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 375, Local Government Code; an order authorizing issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and elections held within the boundaries of the District on May 9, 2015, and May 7, 2016.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 375, Local Government Code; an order authorizing issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and elections held within the boundaries of the District on May 9, 2015, and May 7, 2016.

The Utility Bond Order and the Road Bond Order are collectively referred to hereinafter as the "Bond Orders," and, unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Orders. 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

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and financial condition. SB 2 was signed into law by the Governor on June 12, 2019. See "TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate."

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 Orders. A copy of the Bond Orders may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Orders authorize 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 September 1, 2020, with interest payable on May 1, 2021, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from September 1, 2020, and thereafter from the most recent Interest Payment Date to which interest has been paid. The Bonds mature on May 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 are issued in fully registered form in principal denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be 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 system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "THE BONDS – Book-Entry-Only System." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Source and Security for Payment

The Bonds are secured by and payable from the proceeds of two annual ad valorem taxes, each 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 Town of Little Elm (the "Town"); or any political subdivision or entity other than the District.

Public Improvements Agreement

Effective October 15, 2013, the District entered into a Public Improvements Agreement and Chapter 380 Economic Development Program and Agreement (the "Public Improvements Agreement") with the Town and the Developer (defined herein). The Public Improvement Agreement provides for the Town to rebate 46% of the ad valorem tax revenue the Town actually collects on taxable property within the District back to the District (the "Rebate"). Pursuant to the Public Improvements Agreement, the Rebate will be used by the District to pay for the design and construction of the District's Road System (hereinafter defined), Utility System (hereinafter defined), recreational facilities and/or firefighting facilities or to pay debt service on bonds issued by the District for such purposes.

Based on the Town's 2019 tax rate of $0.649900 with a 46% rebate, the District expects to receive a rebate of approximately $0.30 per $100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds but is **not** pledged to the payment of debt service on the Outstanding Bonds and the Bonds. If such revenues are ever insufficient to make debt service payments, the District is obligated to levy debt service taxes in an amount sufficient to make such payments. No representation can be made as to the Town's future tax rates and the impact they would have on the anticipated Rebate. See "INVESTMENT CONSIDERATIONS."

The Town will pay the Rebate to the District on February 28th of the year following the year in which the taxes are levied and every 90 days thereafter until the full Rebate for that tax year has been paid. The Town shall withhold from the initial Rebate payment in each year an amount equal to two percent (2%) of the amount payable from the Public Improvements Agreement from the ad valorem tax revenue the Town actually collects on real and personal property within the District after deducting the costs of tax collection, which the Town shall deposit into a sinking fund. All funds remaining in such sinking fund at the conclusion of the Public Improvements Agreement shall be paid to the District with the final Rebate payment. The Public Improvements Agreement shall remain in force and effect until October 15, 2058.

Dissolution

Pursuant to the Public Improvements Agreement, the Town waives its right to dissolve the District until such time as (i) all of the Utility System and Road System improvements necessary to serve the full development of the District (including any areas covered by expansions to the boundaries of the District) have been constructed; and (ii) the District has issued bonds to reimburse all of the costs of such improvements.

Authority for Issuance

The Utility Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 375, Local Government Code; the Utility Bond Order; and elections held within the boundaries of the District on May 9, 2015, and May 7, 2016.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 375, Local Government Code; the Road Bond Order; and elections held within the boundaries of the District on May 9, 2015, and May 7, 2016.

At elections held within the District on May 9, 2015, and May 7, 2016, voters of the District authorized a total of $69,825,000 in principal amount for unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities (the "Utility System") and a total of $118,450,000 in principal amount for unlimited tax bonds for the purpose of acquiring or constructing road facilities serving the District (the "Road System"). After the issuance of the Bonds, a total of $45,210,000 in principal amount of unlimited tax bonds for the Utility System and a total of $96,495,000 in principal amount of unlimited tax bonds for the Road System will remain authorized but unissued.

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
May 9, 2015	Utility System	$62,000,000	$24,615,000 (a)	$37,385,000
May 7, 2016	Utility System	7,825,000	–	7,825,000
May 9, 2015	Utility System Refunding	93,000,000	–	93,000,000
May 7, 2016	Utility System Refunding	11,767,500	–	11,767,500
May 9, 2015	Road System	99,000,000	21,955,000 (b)	77,045,000
May 7, 2016	Road System	19,450,000	–	19,450,000
May 9, 2015	Road System Refunding	148,500,000	–	148,500,000
May 7, 2016	Road System Refunding	29,175,000	–	29,175,000

(a) Includes the Utility Bonds.
(b) Includes the Road Bonds.

Outstanding Bonds

The District has previously issued seven (7) series of unlimited tax bonds: four (4) series of bonds for financing of the Road System and three (3) series of bonds for financing of the Utility System. Of such seven (7) previous issuances of bonds by the District, as of July 1, 2020, $32,440,000 principal amount remains outstanding (the "Outstanding Bonds").

Utility System Funds

The Utility Bond Order confirms the creation of the Utility Capital Projects Fund (the "Utility Capital Projects Fund") and the Utility System Debt Service Fund (the "Utility System Debt Service Fund"). Accrued interest as well as six (6) months of capitalized interest on the Utility Bonds will be deposited into the Utility System Debt Service Fund upon closing of the Utility Bonds. All remaining proceeds of the Utility Bonds will be deposited in the Utility Capital Projects 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 and the Utility Bonds, 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 and the Utility Bonds. 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 and the Utility Bonds.

Road System Funds

The Road Bond Order confirms the creation of the Road Capital Projects Fund (the "Road Capital Projects Fund") and the Road System Debt Service Fund (the "Road System Debt Service Fund"). Accrued interest as well as six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. All remaining proceeds of the Road Bonds will be deposited in the Road Capital Projects Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of the Outstanding Bonds issued for the Road System and the Road Bonds, 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 Road System and the Road Bonds. 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 Outstanding Bonds issued for the Road System and the Road 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.

Redemption Provisions

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after May 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on May 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "THE BONDS – Book-Entry-Only System." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Orders.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Redemption

The Utility Bonds: The Utility Bonds maturing on May 1 in the years 2039, 2041 and 2045 are term bonds (the "Utility 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 Utility 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:

$840,000 Term Bond Maturing on May 1, 2039

Mandatory Redemption Date	Principal Amount
May 1, 2038	$ 415,000
May 1, 2039 (Maturity)	425,000

$885,000 Term Bond Maturing on May 1, 2041

Mandatory Redemption Date	Principal Amount
May 1, 2040	$ 435,000
May 1, 2041 (Maturity)	450,000

$1,905,000 Term Bond Maturing on May 1, 2045

Mandatory Redemption Date	Principal Amount
May 1, 2042	$ 460,000
May 1, 2043	470,000
May 1, 2044	480,000
May 1, 2045 (Maturity)	495,000

The Road Bonds: The Road Bonds maturing on May 1 in the years 2036 and 2045 are term bonds (the "Road 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 Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

$365,000 Term Bond Maturing on May 1, 2036

Mandatory Redemption Date	Principal Amount
May 1, 2035	$ 180,000
May 1, 2036 (Maturity)	185,000

$1,305,000 Term Bond Maturing on May 1, 2045

Mandatory Redemption Date	Principal Amount
May 1, 2040	$ 205,000
May 1, 2041	210,000
May 1, 2042	215,000
May 1, 2043	220,000
May 1, 2044	225,000
May 1, 2045 (Maturity)	230,000

The Utility Road Bonds and the Road Term Bonds are herein referred to as the "Term Bonds". On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Orders. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Method of Payment of Principal and Interest

The Board has appointed Zions Bancorporation, National Association, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "THE BONDS – Book-Entry-Only System."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS – Book-Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the register on behalf of the District.

Replacement of Paying Agent/Registrar

Provisions are made in the Bond Orders for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any state thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

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.

Issuance of Additional Debt

The District's voters have authorized the District's issuance of a total of $69,825,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Utility System, a total of $118,450,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Road System, and could authorize additional amounts. Following the issuance of the Bonds, the District will have $45,210,000 of unlimited tax bonds authorized but unissued for the Utility System and $96,495,000 of unlimited tax bonds authorized but unissued for the Road System. The District's voters have also authorized a total of $282,412,500 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts.

The Bond Orders impose 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 TCEQ.

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. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. The Town, pursuant to the Public Improvements Agreement, will provide fire protection service within the boundaries of the District.

Remedies in the Event of Default

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 Orders, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of 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. Certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies."

Defeasance

The Bond Orders provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place 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 Orders.

Book-Entry-Only System

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

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

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

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

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

Short-Term Debt

In connection with the Utility Bonds, the District has issued its $5,100,000 Bond Anticipation Note, Series 2019, dated December 12, 2019 (the "BAN"), and distributed proceeds from sale of the BAN as described below. The BAN accrues interest at a rate of 2.68% per year (computed on the basis of a 360-day year and actual days elapsed) and matures on December 11, 2020, unless called for redemption prior to maturity.

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Use and Distribution of Proceeds of Utility Bonds

Proceeds from the sale of the Utility Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the amounts assigned to the construction costs set out below. Proceeds of the Utility Bonds will also be used to reimburse the Developers for construction costs not reimbursed by the BAN and to pay those non-construction costs shown below.

<u>**Construction Costs**</u>	District's Share
A. Developer Contribution Items	
1. Union Park Phases 2B, 2D & Union Park West – Utilities	$ 423,038
2. Union Park, Phase 2A – Utilities & Paving	1,147,054
3. Union Park, Phase 2A – Mass Grading	120,085
4. Union Park, Phase 2C – Utilities	516,687
5. Union Park, Phase 2C – Paving	3,008
6. Union Park, Phase 2C – Mass Grading	70,589
7. Union Park, Phases 3A1, 4A & Union Park Boulevard 3 - Utilities	1,567,539
8. Union Park, Phases 3A1, 4A & Union Park Boulevard 3 – Paving	7,800
9. Union Park Phases 2 & 4A – Mass Grading	162,863
10. Del Webb, Phase 1 – Utilities	2,115,821
11. Union Park Boulevard – Utilities	841,622
12. Del Webb Phase 1 & Union Park Boulevard – Mass Grading	148,747
Total Developer Contribution Items	$ 7,124,853
B. District Items	
None	–
Total Construction Costs (72.48% of Bond Issue Requirement)	$ 7, 124,853
<u>**Non-Construction Costs**</u>	
A. Legal Fees	$ 220,900
B. Financial Advisor Fees	180,900
C. Interest	
1. Capitalized Interest (6 Months)	105,194
2. Developer Interest	661,299
3. Bond Anticipation Note Interest	71,678
D. Bond Discount (3%)	271,350
E. TCEQ Bond Issuance Fee (0.25%)	22,613
F. Bond Anticipation Note Expenses	112,602
G. Bond Application Report Cost	50,000
H. Bond Issuance Expense	33,482
I. Attorney General Fee (0.10% or a maximum of $9,500)	9,045
J. Contingency (a)	181,085
Total Non-Construction Costs	$ 1,920,147
TOTAL BOND ISSUE REQUIREMENT	**$ 9,045,000**

(a) Represents the sum of the difference between the estimated and actual amounts of capitalized interest on the Utility Bonds and BAN interest.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Utility Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ, where required. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of

Use and Distribution of Proceeds of Road Bonds

Proceeds from the sale of the Road Bonds will be used by the District to reimburse the Developer for the construction costs set out below. Proceeds of the Road Bonds will also be used to pay those non-construction costs shown below.

Construction Costs		Amount
A.	Union Park, Phases 2B and 2D and Union Park West	$ 683,533
B.	Union Park, Phase 2A	1,365,810
C.	Union Park, Phase 2C – Utilities	139,639
D.	Union Park, Phase 2C - Paving	630,548
E.	Del Webb, Phase 1 – Utilities	77,611
F.	Del Webb, Phase 1 – Paving	269,489
G.	Union Park, Phase 2A – Mass Grading	155,889
H.	Union Park, Phase 2C – Mass Grading	172,718
I.	Union Park, Phases 3 & 4 – Mass Grading	18,314
J.	Del Webb, Phase 1 & Union Park Boulevard – Mass Grading	53,901
	Subtotal Construction Costs	$ 3,567,452
	Less: Surplus Funds	(47,000)
	Total Construction Costs	$ 3,520,452
Non-Construction Costs		
A.	Legal Fees	$ 120,375
B.	Financial Advisor Fees	84,300
C.	Interest	
	1. Capitalized Interest (6 Months)	44,941
	2. Developer Interest	270,498
D.	Bond Discount (3.00%)	116,890
E	Bond Issuance Expense	30,754
F.	Attorney General Fee (0.10% or a maximum of $9,500)	4,215
G.	Contingency (a)	22,575
	Total Non-Construction Costs	$ 694,548
TOTAL BOND ISSUE REQUIREMENT		**$ 4,215,000**

(a) Represents the sum of the difference between the estimated and actual amounts of capitalized interest on the Road Bonds and discount on the Road Bonds.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer 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 Road Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Road Bonds were issued.

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

THE DISTRICT

General

The District is a special district created pursuant to Chapter 831 (S.B. 1878), Section 1, Acts of the 83rd Legislature, Regular Session, 2013, codified as Chapter 3920, Texas Special District Local Laws Code, as amended (the "District Act") under the authority of Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59 of the Texas Constitution and operating under and governed by the provisions of the District Act and Chapter 375, Local Government Code, and Chapters 49 and 54, Texas Water Code, as amended. The

District, which lies wholly within the corporate limits of the Town, 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, recreational facilities, 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 32 miles northwest of the central downtown business district of the City of Dallas, Texas, and lies wholly within the corporate limits of the Town. The District is located within Denton Independent School District ("DISD") and is bordered generally by farm land on the north, by FM 1385 on the east, by U.S. Highway 380 on the south, and by Navo Road on the west. Access to the District is provided by the Dallas North Tollway to U.S. Highway 380 and west to Union Park Boulevard.

At the time of creation, the District contained approximately 757 acres and after various annexations now contains approximately 1,085 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 TCEQ:

Name	Position	Term Expires June
Philip Morgan	President	2023
Angelica Huckelberry	Vice President	2023
Douglas J. Peach	Secretary	2023
Danielle Androes	Assistant Secretary	2021
Teague Griffin	Assistant Secretary	2021

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

General Manager: The District has contracted with FirstService Residential to perform general management services for the District.

Tax Assessor/Collector: The District's Tax Assessor/Collector is Michelle French, the Denton County Tax Assessor/Collector.

Bookkeeper: The District's bookkeeper is L&S District Services, LLC.

Utility System Operator: The District's operator is Mustang Special Utility District.

Auditor: The District engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the fiscal year ended April 30, 2020. A copy of the April 30, 2019 audited financial statements is attached as "APPENDIX A."

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

Bond Counsel and General Counsel: Coats Rose, P.C. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, 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: Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. See "PREPARATION OF OFFICIAL STATEMENT – Consultants."

General Fund Operating Statement

The following statement sets forth in condensed form the historical results of the District's general fund. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the year ended April 30, 2019. In addition, an unaudited summary has been prepared by the District's bookkeeper for the period ended April 30, 2020. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Unaudited	For Fiscal Year Ended April 30			
	2020	2019	2018	2017	2016
Revenues					
Property taxes	$ 431,323	$ 397,118	$ 175,214	$ 147,810	$ 21,451
Rebate payments from the Town (a)	0	0	1,071	86,696	20,386
Capital recovery fees	380,250	355,750	115,000	174,750	26,500
Penalty	0	0	0	63	0
Interest on deposits	2,121	1,483	659	11	0
Total Revenues	$ 813,694	$ 754,351	$ 291,944	$ 409,330	$ 68,337
Expenditures					
Purchased services	$ 13,393	$ 9,455	$ 8,544	$ 16,348	$ 698
Professional fees	61,354	56,672	44,688	90,658	42,414
Contracted services	23,120	32,174	29,487	20,628	16,131
Utilities	26,091	19,910	4,154	2,794	0
Repairs and maintenance	606,661	414,345	296,320	296,211	0
Administrative expenditures	29,323	18,398	14,922	16,072	9,444
Total Expenditures	$ 759,942	$ 550,954	$ 398,115	$ 442,711	$ 68,687
Excess Revenues (Expenditures)	$ 53,752	$ 203,397	$ (106,171)	$ (33,381)	$ (350)
Developer Advances	$ 0	$ 0	$ 120,000	$ 198,000	$ 63,000
Net Change in Fund Balance	$ 53,752	$ 230,397	$ 13,829	$ 164,619	$ 62,650

(a) The initial payments of debt service on the Outstanding Bonds became due during the District's fiscal year ended April 30, 2018. Therefore, the majority of the Rebate received during the fiscal year ended April 30, 2018, was allocated to the District's debt service fund. The District anticipates that future payments of the Rebate will also be allocated to the District's debt service fund for payments of debt service due on the Outstanding Bonds and the Bonds. However, the Rebate is not pledged to payment of debt service on the Outstanding Bonds or the Bonds. No payments of debt service were due during the District's fiscal year ended April 30, 2017, or April 30, 2016, therefore the Rebate received during each such fiscal year was allocated to the District's general operating fund. See "THE BONDS – Public Improvements Agreement."

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UNION PARK

The master-planned community of Union Park encompasses the District. Union Park is a 1085-acre master planned community, located in Little Elm, Texas along the US Highway 380 corridor. According to the Developer (hereinafter defined), there are approximately 3,200 single-family homes ultimately planned to be constructed within the Union Park community along with walking trails, a 35-acre central park, an amenity center and food truck park. The District makes no representation as to the likelihood of such planned development occurring within the District.

STATUS OF DEVELOPMENT

The District encompasses approximately 1,085 total acres of land. To date, approximately 1,900 single-family lots have been developed within the following residential subdivisions in the District: Union Park, Phases 1, 2, 3, and 4A and Del Webb at Union Park, Phases 1 and Phase 2. As of July 1, 2020, the District included approximately 928 completed homes (approximately 880 of which being occupied, 31 unoccupied, and 17 model homes), approximately 148 homes under construction, and approximately 824 vacant developed lots available for home construction. In addition, the following residential subdivision is currently under construction: Union Park, Phase 4B, is being constructed for the development of 195 single-family lots (approximately 49 acres) that are scheduled for delivery in October of 2020.

The subdivisions referenced above encompass a total of approximately 518 acres including lands for residential lots, road rights-of-way, open spaces, and detention area. The remaining land in the District includes: approximately 408 acres planned for development as additional residential sections; approximately 16 acres for Union Park Boulevard; approximately 12 acres on which an elementary school will be constructed; and approximately 82 acres that are planned for development as multi-use and commercial properties.

The table below summarizes the development within the District as of July 1, 2020, by section.

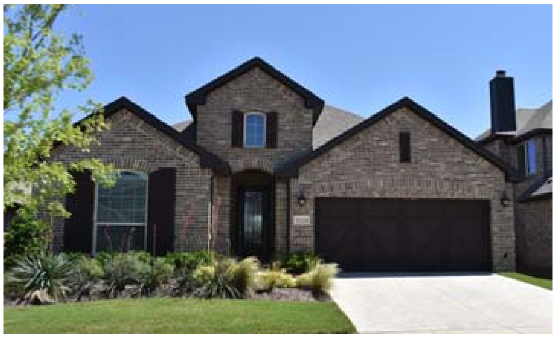
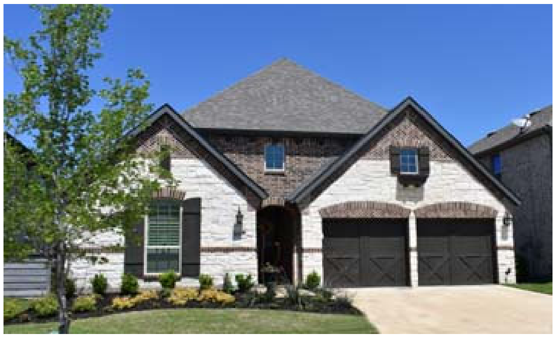
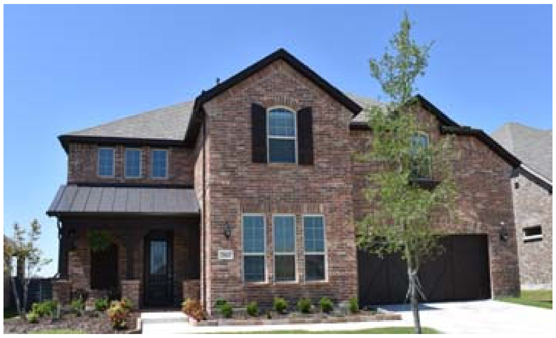
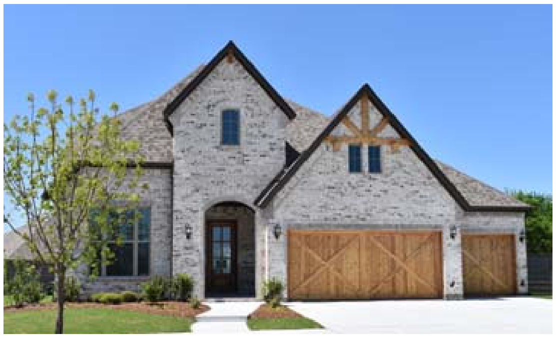
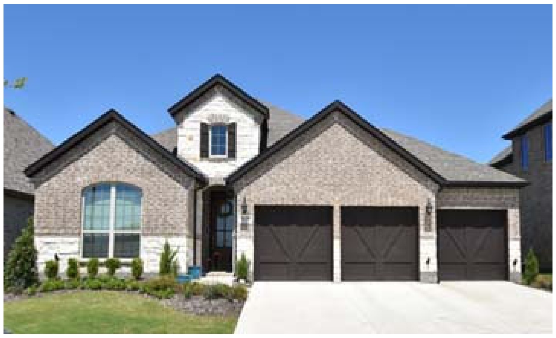
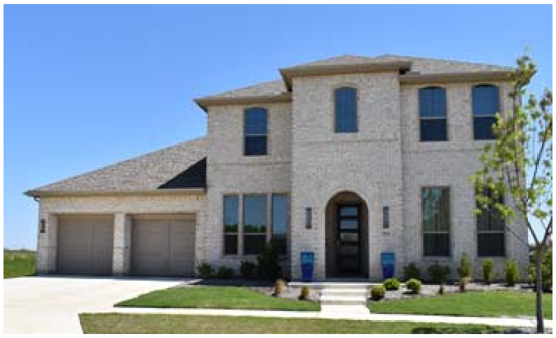
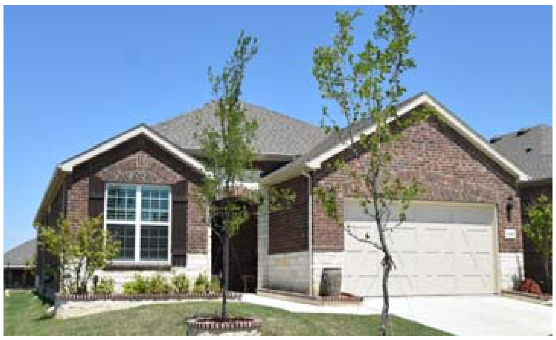
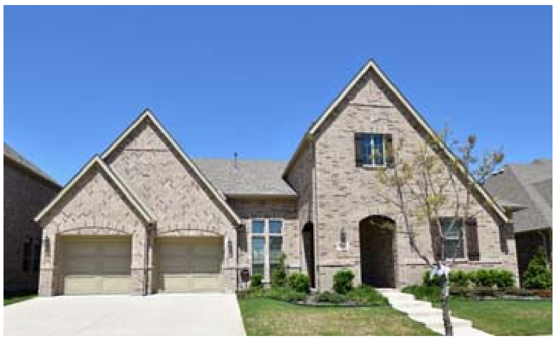
Subdivision	Section Acreage (a)	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Union Park, Phase 1 (b)	130.92	393	383	1	9
Union Park, Phase 2 (c)	109.24	455	258	52	145
Union Park, Phase 3 (d)	65.19	289	71	33	185
Union Park, Phase 4A	37.15	154	98	31	25
Del Webb at Union Park, Phase 1	113.79	288	118	31	139
Del Webb at Union Park, Phase 2	61.56	321	0	0	321
Totals	517.85	1,900	928	148	824

Single-Family Developed	517.85
Single-Family Under Development (e)	49.12
Single-Family Remaining Developable (f)	408.16
Union Park Boulevard	16.00
Elementary School	12.11
Multi-Use and Commercial	81.63
District Total	1,084.87

(a) Represents the total acreage shown on the plat of each developed subdivision, including acreage associated with residential lots, roads, detention ponds, floodplain, open space, and parks and recreation.
(b) Lots were delivered in 3 separate phases.
(c) Lots were delivered in 4 separate phases.
(d) Lots were delivered in 2 separate phases.
(e) Represents the total approximate acreage of residential sections currently under development and includes acreage associated with residential lots as well as acreage reserved for roads, detention ponds, floodplain, open space, and parks and recreation.
(f) Represents the total approximate acreage of additional residential sections that are planned for development within the District. This total acreage includes approximately 125 acres reserved for roads, detention ponds, creeks, floodplain, open space, and parks and recreation.

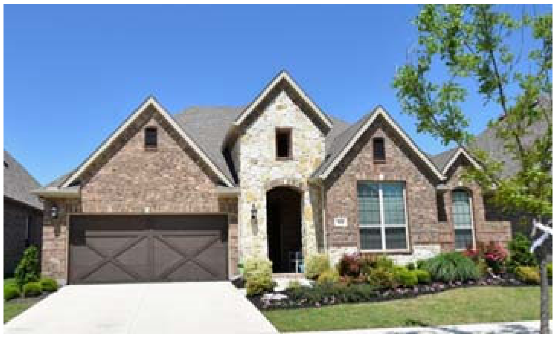
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

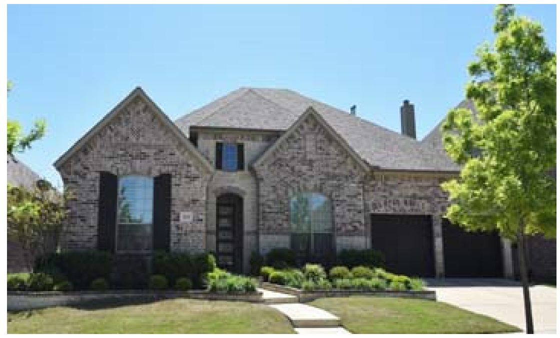
(July 2020)

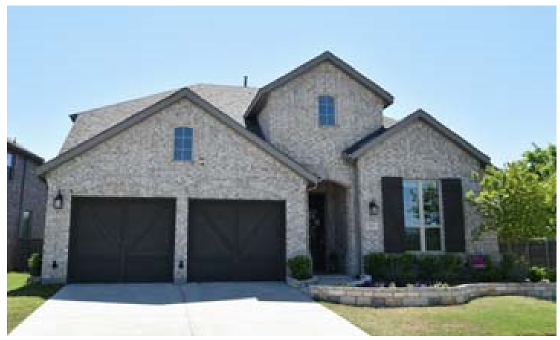









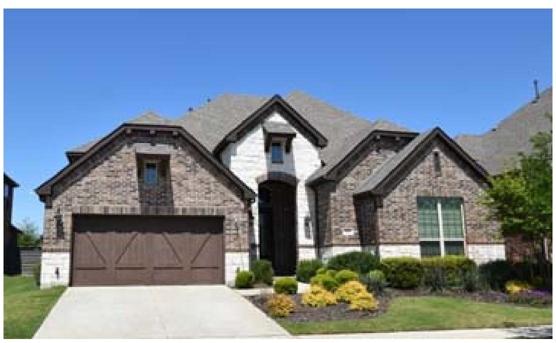
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

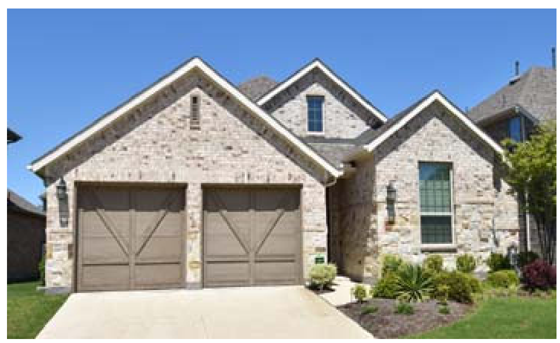
(July 2020)

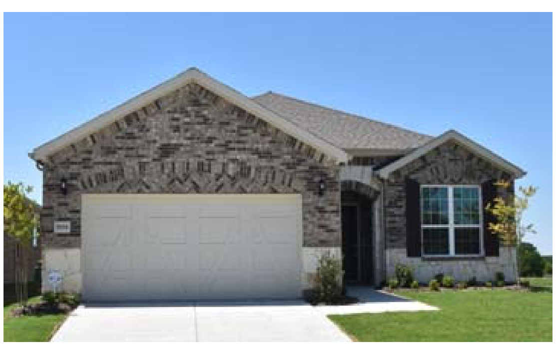


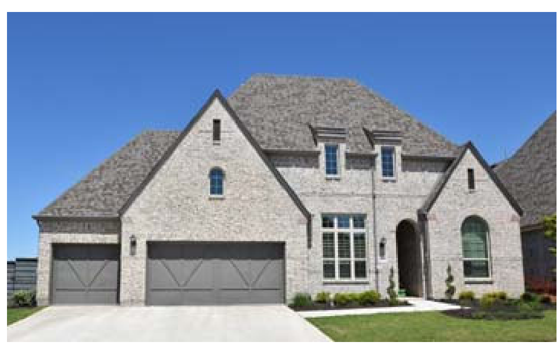












THE DEVELOPERS

The Role of a Developer

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

Prospective 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 its 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 Developers

H4 Little Elm, L.P., a Texas limited partnership ("H4 Little Elm") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including approximately 757 acres of land in the District by and through its affiliate entities such as Union Park Phase 1, LP, Union Park Phase 2, LP, Union Park Phase 2BCD, LP, and Union Park Phase 3A, LP. The partners of H4 Little Elm include: BOH Investments GP, LLC, a Texas limited liability company ("GP"), and BOH Subpartnership, L.P., a Delaware limited partnership ("LP"). GP is the general partner of H4 Little Elm. UPH4 McCutchin, L.P., a Texas limited partnership ("UPH4") and affiliate of H4 Little Elm, was also formed for the purpose of acquiring and holding certain lands within the District for investment and sale by and through its affiliate entities. UPH4 has acquired approximately 328 acres of land within the District for such purposes. The partners of UPH4 include: GP and UP Project, LLC. GP is the general partner of UPH4. H4 Little Elm and UPH4 have determined the overall development plan for such land in the District and arranged for financing the construction of water, sanitary sewer, drainage and road facilities within the District either directly or through affiliate entities. Throughout this Official Statement, H4 Little Elm and UPH4 and their affiliate entities described herein are referred to collectively as the "Developer."

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

Within the District, the Developer and its affiliate entities described herein currently own: approximately 49.12 acres that are under construction for the development of residential sections, approximately 283.76 undeveloped but developable acres, and approximately 824 vacant developed lots within the District.

In December of 2016, the Developer sold approximately 114 acres of developable land within the District to Pulte Homes of Texas, L.P. ("Pulte"). Pulte has completed development of such acreage as 288 lots in the residential subdivision of Del Webb at Union Park, Phase 1. In September of 2018, the Developer sold approximately 64 additional acres of developable land within the District to Pulte. Pulte has completed development of such acreage as 321 lots in the residential subdivision of Del Webb at Union Park, Phase 2. Pulte is a subsidiary of PulteGroup, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. Pulte Homes of Texas, L.P. is actively developing lots and building homes in Dallas, Fort Worth, San Antonio, Austin and Houston. For more information, visit www.pultegroupinc.com. See "STATUS OF DEVELOPMENT" and "TAX DATA – Principal Taxpayers."

Development Financing

The Developer has financed the development of a portion of the land within the District with the outstanding line of credit detailed below:

The Developer has financed the development of Union Park with a line of credit from Texas Capital Bank in the amount of $40,000,000 with a variable interest rate equal to the London Interbank Offered Rate plus 3.00%. Such line of credit matures on September 19, 2022, and is secured by the land and the reimbursements the Developer expects to receive from bond proceeds from the bond sales of the District. As of July 1, 2020, the balance on such loan was $28,517,805.38. According to the Developer, it is in compliance with all material terms of such line of credit.

Lot Sales Contracts

For the lots developed within Union Park, Phases 1A, 1B, 1C, 2A, 2B, 2C, 2D, 3A-1, 3A-2, and 4A and the lots currently under development in Union Park, Phase 4B, the Developer, through its subsidiary entities, has entered into lot sales contracts with each of American Legend Homes, Beazer Homes, Bloomfield Homes, Drees Custom Homes, DR Horton Homes, Highland Homes, and MHI Builders doing business as Plantation Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 15% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. 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, currently, approximately $1,557,255.

According to the Developer, each of the builders is in compliance with their respective lot sale contracts. As of July 1, 2020, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
American Legend Homes	315	287
Drees Custom Homes	104	95
DR Horton Homes	459	299
Highland Homes	206	206
Plantation Homes	137	137
Beazer Homes	73	68
Bloomfield Homes	146	146
Totals	1,440	1,238

HOMEBUILDERS WITHIN THE DISTRICT

Builders currently building homes within the District include American Legend Homes, Beazer Homes, Bloomfield Homes, Drees Custom Homes, DR Horton Homes, Highland Homes, and MHI Builders doing business as Plantation Homes. The homes being marketed in the District range in size from 1,800 to over 4,200 square feet and in price from approximately $252,000 to $432,000.

THE ROAD SYSTEM

The District's Road System has and will be funded with proceeds of the Road Bonds, the Outstanding Bonds issued for the Road System, as well as future bonds issued by the District for acquiring or constructing the Road System. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the Town 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, Denton County, Texas, the Town, and Mustang Special Utility District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the Utility System

Water Supply

The area within the District lies wholly within the water certificate of convenience and necessity number 11856 held by Mustang Special Utility District ("Mustang"). Mustang is the provider of retail water service to the users within the District.

On September 11, 2014, the District entered into a water supply and wastewater treatment service contract with Mustang (the "Contract") to provide continuous and adequate water service and wastewater service, including adequate fire flow to the Property. Under the terms of the Contract, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems.

Mustang has entered into an agreement with the Upper Trinity Regional Water District (the "UTRWD") pursuant to which Mustang receives wholesale treated surface water from the UTRWD. Such water is delivered to the District at a point of delivery as described in the Contract between the District and Mustang. Mustang owns sufficient water capacity through its agreement with the UTRWD to provide sufficient capacity for all connections.

Wastewater Treatment

The area within the District lies wholly within the sewer certificate of convenience and necessity number 20930 held by Mustang. Mustang is the provider of retail wastewater service to the users within the District.

As noted above, under the terms of the Contract entered into by and between the District and Mustang, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems.

Mustang, under the terms of its agreement with the UTRWD, is made a participant in the Riverbend Wastewater Treatment Plant, which is operated and maintained by the UTRWD. As referenced above, Mustang owns sufficient wastewater treatment capacity through its agreement with the UTRWD to provide 1,530 esfcs within Comanche Ridge Sewer Trunk. Union Park Phase 1, LP OBO the District, entered into the "Cost Sharing Agreement" with the City of Aubrey, Texas on January 19, 2016 for the City of Aubrey, Texas to construct a 24-

inch Trunk Main and to provide 1.2 MGD capacity to the District. This capacity is more than sufficient to serve the remaining esfcs of Union Park.

Drainage

The District generally drains to the west to tributaries of Lewisville Lake located on the Elm Fork of the Trinity River. According to the District's Engineer, none of the developable land within the District is within the FEMA 100-year flood plain. The drainage infrastructure within the District will, upon completion, be conveyed to the Town and will be maintained by the Town.

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DISTRICT DEBT

General

2019 Taxable Assessed Valuation	$ 265,571,729	(a)
2020 Certified Estimate of Assessed Valuation	$ 349,011,521	(b)
Estimated Valuation as of June 1, 2020	$ 416,000,000	(c)
Direct Debt:		
The Outstanding Bonds	$ 32,440,000	
The Utility Bonds	$ 9,045,000	
The Road Bonds	$ 4,215,000	
Total	$ 45,700,000	
Estimated Overlapping Debt	$ 27,327,943	(d)
Total Direct and Estimated Overlapping Debt	$ 73,027,943	(d)
Direct Debt Ratio:		
As a percentage of the 2019 Taxable Assessed Valuation	17.21	%
As a percentage of the 2020 Certified Estimate of Assessed Valuation	13.09	%
As a percentage of the Estimate of Value as of June 1, 2020	10.99	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2019 Taxable Assessed Valuation	27.50	%
As a percentage of the 2020 Certified Estimate of Assessed Valuation	20.92	%
As a percentage of the Estimate of Value as of June 1, 2020	17.55	%
Utility System Debt Service Fund Balance (as of July 9, 2020)	$825,933	(e)
Road System Debt Service Fund Balance (as of July 9, 2020)	$739,411	(f)
General Operating Fund Balance (as of July 9, 2020)	$365,580	

(a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2019, provided by the Denton Central Appraisal District ("DCAD"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by DCAD, such value represents DCAD's estimation of certified valuation of all taxable property within the District as of January 1, 2020. Such value includes $73,938,209 amount of assessed valuation under review by the Appraisal Review Boar ("ARB"), which represents 80% of such value under review. No taxes will be levied on this certified estimate of taxable value, which is subject to review and downward adjustment prior to certification. It is anticipated that DCAD will provide the certified taxable assessed valuation as of January 1, 2020 by the end of September 2020. See "TAX DATA" and "TAXING PROCEDURES".

(c) 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 June 1, 2020, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2020, through June 1, 2020. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(e) In addition, upon closing of the Utility Bonds, six (6) months of capitalized interest on the Utility Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Utility Bond Order requires 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, including the Road Bonds.

(f) In addition, upon closing of the Road Bonds, six (6) months of capitalized interest on the Road Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Road Bond Order requires 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, including the Utility Bonds.

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2019 Tax Rates		
Debt Service	$0.360	(a)
Maintenance & Operation	$0.155	
Total	$0.515	(b)
Average Annual Debt Service Requirement (2020–2045)	$2,472,916	(c)
Maximum Annual Debt Service Requirement (2042)	$2,758,938	(c)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2020–2045) at 95% Tax Collections:		
Based on the 2019 Taxable Assessed Valuation	$0.99	(d)
Based on the 2020 Certified Estimate of Assessed Valuation	$0.75	(d)
Based on the Estimate of Value as of June 1, 2020	$0.63	(d)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2042) at 95% Tax Collections:		
Based on the 2019 Taxable Assessed Valuation	$1.10	(d)
Based on the 2020 Certified Estimate of Assessed Valuation	$0.84	(d)
Based on the Estimate of Value as of June 1, 2020	$0.70	(d)
Number of Single-Family Homes	1,076	(e)

(a) Represents the combined debt service tax rate resulting from the following two taxes levied by the District: a tax in the amount of $0.165 for payment of debt service on the Outstanding Bonds issued for the Utility System and a tax of $0.195 for payment of debt service on the Outstanding Bonds issued for the Road System. The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS – Future Debt."

(b) For the 2020 tax year, the Board of Directors of the District has authorized publication of a notice of public hearing to consider a total tax rate in the amount of $0.515.

(c) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

(d) Represents the amount of the combined debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District's anticipated use of funds from the Rebate for payment of a portion of the debt service on the Outstanding Bonds and the Bonds. Based on the Town's 2019 tax rate of $0.649900 per $100 of assessed valuation with a 46% rebate, the District expects to receive a Rebate of approximately $0.30 per $100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds. While the District intends to use the Rebate to pay a portion of the debt service on the Outstanding Bonds and the Bonds, the Rebate is not pledged to the payment of debt service on the Outstanding Bonds and the Bonds. See "THE BONDS – Public Improvements Agreement."

(e) Approximate number of homes, including 928 complete homes and 148 homes under construction, within the District as of July 1, 2020.

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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	July 31, 2020	Percent	Amount
Denton County	$604,435,000	0.31%	$1,856,375
Denton Independent School District	1,122,249,104	1.61	18,065,590
Town of Little Elm	96,980,000	7.64	7,405,979
Total Estimated Overlapping Debt			$27,327,943
Direct Debt (a)			$45,700,000
Total Direct and Estimated Overlapping Debt (a)			$73,027,943

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of the 2019 Taxable Assessed Valuation	17.21	%
As a percentage of the 2020 Certified Estimate of Assessed Valuation	13.09	%
As a percentage of the Estimate of Value as of June 1, 2020	10.99	%

Direct and Estimated Overlapping Debt Ratio:

As a percentage of the 2019 Taxable Assessed Valuation	27.50	%
As a percentage of the 2020 Certified Estimate of Assessed Valuation	20.92	%
As a percentage of the Estimate of Value as of June 1, 2020	17.55	%

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Debt Service Requirements

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds; the principal and interest requirements on the Utility Bonds; the principal and interest requirements on the Road Bonds; and the annual debt service requirements of the Outstanding Bonds, the Utility Bonds, and the Road Bonds.

Calendar	Outstanding	The Utility Bonds		The Road Bonds		Total
Year	Debt Service	Principal	Interest	Principal	Interest	Debt Service
2020	$548,011	–	–	–	–	$548,011
2021	2,033,063	–	$245,452	–	$104,861	2,383,376
2022	2,026,043	$280,000	204,263	$130,000	87,931	2,728,236
2023	2,021,853	285,000	191,903	130,000	84,031	2,712,787
2024	2,020,610	295,000	179,216	135,000	80,056	2,709,882
2025	2,008,790	300,000	166,200	140,000	76,631	2,691,621
2026	2,008,633	310,000	153,825	145,000	73,781	2,691,239
2027	2,011,978	315,000	144,863	145,000	70,881	2,687,721
2028	2,011,954	325,000	138,463	150,000	67,931	2,693,348
2029	2,015,649	330,000	131,913	155,000	64,881	2,697,443
2030	2,013,496	340,000	125,213	160,000	61,731	2,700,440
2031	2,019,841	350,000	118,313	160,000	58,531	2,706,684
2032	2,023,416	360,000	111,213	165,000	55,281	2,714,909
2033	2,024,469	365,000	103,963	170,000	51,931	2,715,363
2034	2,023,428	375,000	96,563	175,000	48,481	2,718,472
2035	2,029,978	385,000	88,963	180,000	44,931	2,728,872
2036	2,033,813	395,000	81,163	185,000	41,281	2,736,256
2037	2,030,075	405,000	73,163	190,000	37,531	2,735,769
2038	2,033,822	415,000	64,963	195,000	33,681	2,742,466
2039	2,034,775	425,000	56,563	200,000	29,731	2,746,069
2040	2,037,819	435,000	48,234	205,000	25,553	2,751,606
2041	2,033,194	450,000	39,938	210,000	21,144	2,754,275
2042	2,035,903	460,000	31,406	215,000	16,628	2,758,938
2043	1,246,234	470,000	22,688	220,000	12,006	1,970,928
2044	812,950	480,000	13,781	225,000	7,278	1,539,009
2045	-	495,000	4,641	230,000	2,444	732,084
Total	$47,139,794	$9,045,000	$2,636,858	$4,215,000	$1,259,152	$64,295,804

Average Annual Debt Service Requirement (2020–2045) $2,472,916

Maximum Annual Debt Service Requirement (2042) $2,758,938

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TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Denton Central Appraisal District ("DCAD") has the responsibility for appraising property for all taxing units wholly within Denton County, including the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by DCAD and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Denton County, to participate in the nomination of and vote for a member of the Board of Directors of DCAD.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. For the 2020 tax year, the District did not grant an exemption from ad valorem taxation of residential homestead of individuals who are disabled or are sixty-five (65) years of age or older

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

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

Residential Homestead Exemptions

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2020 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires DCAD to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by DCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by DCAD or whether reappraisals will be conducted on a zone or county-wide basis.

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 the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2019, approximately 91 acres within the District were designated for agricultural use, open space, or timberland.

Tax Abatement

The Town, Denton County, Texas ("Denton County"), or the District may designate all or part of the District as a reinvestment zone, and the District, Denton County, and the Town may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and/or by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

District's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies."

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback 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 Low Tax Rate District is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Other Districts

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

The District

The District has determined that its status from the 2020 tax year is that of and Other District. A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, two taxes adequate to provide funds to pay the principal of and interest on the Bonds. In 2019, the District levied a total tax rate of $0.515 per $100 of assessed valuation composed of a maintenance tax rate of $0.155, a Utility System debt service tax rate of $0.165, and a Road System debt service tax rate of $0.195. For the 2020 tax year, the District anticipates levying a total tax rate of $0.515 per $100 of assessed valuation composed of a maintenance tax rate, a Utility System debt service tax rate, and a Road System debt service tax rate. See "Tax Rate Distribution" below, "TAXING PROCEDURES," and "INVESTMENT CONSIDERATIONS."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. Maintenance tax elections were held on May 9, 2015, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.20 per $100 assessed valuation for general operations and maintenance costs. The District levied a $0.155 operation and maintenance tax rate for the 2019 tax year. See "Tax Rate Distribution" below.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2015–2019 tax years:

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 05/31/20
2015	$ 4,247,785	$0.505	$ 21,451	100.00%	2016	100.00%
2016	29,630,992	0.505	149,637	99.02	2017	100.00
2017	96,625,684	0.510	492,791	100.00	2018	100.00
2018	170,289,168	0.515	876,989	99.99	2019	99.99
2019	265,571,729	0.515	1,367,694	98.59(b)	2020	98.59

(a) See "– Tax Rate Distribution" below.
(b) For the 2019 tax year, represents collections through May 31, 2020.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Road System Debt Service	$0.1950	$0.1400	$0.2500	$0.0000	$0.0000
Utility System Debt Service	0.1650	0.1500	0.0800	0.0000	0.0000
Maintenance	0.1550	0.2250	0.1800	0.5050	0.5050
Total	$0.5150	$0.5150	$0.5100	$0.5050	$0.5050

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2016–2020 tax years by type of property.

Type of Property	2020 Assessed Valuation (a)	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation
Land	$167,675,639	$136,637,070	$97,765,022	$69,469,698	$38,992,904
Improvements	214,934,755	140,126,478	96,042,655	55,230,076	4,980,400
Personal Property	178,466	185,539	202,588	131,685	119,471
Exemptions	(15,056,216)	(11,377,358)	(23,721,097)	(28,205,775)	(14,461,783)
Total	$349,011,521	$265,571,729	$170,289,168	$96,625,684	$29,630,992

(a) Represents DCAD's estimation of certified valuation of all taxable property within the District as of January 1, 2020. DCAD has not yet provided the certified taxable assessed valuation as of January 1, 2020; however, it is anticipated that such valuation will be provided by the end of September 2020. See "TAX DATA" and "TAXING PROCEDURES".

Exemptions and Special Valuations

To date, the District has not granted any residential homestead exemptions, including exemptions for persons 65 years of age or older or certain disabled persons. According to DCAD, as of January 1, 2020, approximately 58 acres of land within the District were designated for agricultural use, open space, or timberland. The majority of such land is owned by the Developer or its affiliate entities. The market value of the land according to DCAD as of the certified estimate of valuation as of January 1, 2020, is $3,244,002 and the net taxable value is $7,773.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019 from original certification of the 2019 tax rolls and January 1, 2020 from the certified estimated tax rolls for the 2020 tax year as provided by DCAD:

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll	% of Assessed Valuation
Pulte Homes of Texas LP (a) (b)	Land & Improvements	$20,278,900	7.64%
H4 Little Elm LP (a)	Land & Improvements	16,510,366	6.22%
American Legend Homes LLC (b)	Land & Improvements	8,713,061	3.28%
Bloomfield Homes LP (b)	Land & Improvements	7,483,168	2.82%
Union Park Phase 2BCD LP (a)	Land & Improvements	6,470,489	2.44%
DR Horton Texas LTD (b)	Land & Improvements	6,281,741	2.37%
Union Park Phase 3A LP (a)	Land & Improvements	4,988,980	1.88%
Beazer Homes Texas LP (b)	Land & Improvements	4,356,124	1.64%
Highland Homes Dallas LLC (b)	Land & Improvements	3,831,393	1.44%
MHI Partnership LTD (b)	Land & Improvements	3,516,582	1.32%
Total		$82,431,164	31.04%

(a) See "THE DEVELOPERS" herein. See "– Exemptions" above.
(b) See "HOMEBUILDERS WITHIN THE DISTRICT."

Taxpayer	Type of Property	2020 Certified Estimate of Taxable Value (a)	% of 2020 Certified Estimate of Taxable Value
H4 Little Elm LP (b)	Land & Improvements	$20,148,792	5.77%
Pulte Homes of Texas LP (b) (c)	Land & Improvements	17,689,706	5.07%
American Legend Homes LLC (c)	Land & Improvements	6,520,071	1.87%
Union Park Phase 4 LP (b)	Land & Improvements	6,105,568	1.75%
Bloomfield Homes LP (c)	Land & Improvements	5,440,947	1.56%
J&E Morris Investments LLC	Land & Improvements	5,166,278	1.48%
Union Park Phase 2BCD LP (b)	Land & Improvements	4,938,114	1.41%
Union House LP	Land & Improvements	4,217,567	1.21%
MHI Partnership LTD (c)	Land & Improvements	3,978,421	1.14%
Highland Homes Dallas LLC (c)	Land & Improvements	3,482,714	1.00%
Total		$77,688,178	22.26%

(a) Represents DCAD's estimation of certified valuation of all taxable property within the District as of January 1, 2020. DCAD has not yet provided the certified taxable assessed valuation as of January 1, 2020; however, it is anticipated that such valuation will be provided by the end of September 2020.
(b) See "THE DEVELOPERS" herein. See "– Exemptions" above.
(c) See "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 Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2019 ($265,571,729), the 2020 Certified Estimate of Assessed Valuation ($349,011,521), or the Estimate of Value as of June 1, 2020 ($416,000,000). 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 (2020–2045)	$2,472,916
Debt Service Tax Rate of $0.99 on 2019 Taxable Assessed Valuation	$2,497,702
Debt Service Tax Rate of $0.75 on 2020 Certified Estimate of Assessed Valuation	$2,486,707
Debt Service Tax Rate of $0.63 on Estimate of Value as of June 1, 2020	$2,489,760
Maximum Annual Debt Service Requirement (2042)	$2,758,938
Debt Service Tax Rate of $1.10 on 2019 Taxable Assessed Valuation	$2,775,225
Debt Service Tax Rate of $0.84 on 2020 Certified Estimate of Assessed Valuation	$2,785,112
Debt Service Tax Rate of $0.70 on Estimate of Value as of June 1, 2020	$2,766,400

The District anticipates that a portion of the debt service on the Bonds will be paid with the Rebate pursuant to the Public Improvements Agreement. Based on the Town's 2019 tax rate of $0.649900 per $100 of assessed valuation with a 46% rebate, the District expects to receive a Rebate of approximately $0.30 per $100 of assessed valuation that is expected to be used to pay debt service on the Bonds. If such revenues from the Rebate are ever insufficient to make such payments, the District is obligated to levy a debt service tax in an amount sufficient to make such payments. See "THE BONDS – Public Improvements Agreement."

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 2019 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.

	2019 Tax Rate Per $100 of Assessed Value
The District	$0.515000
Denton County	$0.225574
Denton Independent School District	$1.540000
Town of Little Elm	$0.649900
Total Estimated Tax Rate	$2.930474

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 two annual ad valorem taxes, each without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See "THE BONDS – Source and Security for 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.

Infectious Disease Outlook

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the State Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy. In separate orders, the Governor imposed a moratorium on elective surgeries in numerous Texas counties including Harris, Travis, Bexar and Dallas Counties. The Governor retains the authority to impose additional restrictions on activities. Under Executive Order GA-28, for the remainder of the 2019-2020 school year, public schools may resume operations in the summer under protocols outlined in guidance from the TEA. Due to a rise in COVID-19 cases in Texas, Executive Order GA-29 now requires the use of face covering in public spaces. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Dallas area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential, commercial, retail and multi-family 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 natural gas 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. See "STATUS OF DEVELOPMENT."

Location and Access: The District is located in an outlying area of the Dallas-Fort Worth metropolitan area, approximately 32 miles northwest from the central business district of the City of Dallas, Texas. As a result, particularly during times of increased competition, the Developer (hereinafter defined) within the District may be at a competitive disadvantage to the developers of other projects located closer to major urban centers or in a more developed state. See "STATUS OF DEVELOPMENT."

Dependence on the Oil and Gas Industry

Recently, unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a segment of the nation's oil trading. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and property values in the District, resulting in less local tax revenue. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outlook" above. Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

Dependence on Major Taxpayers and the Developer: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2019 owned approximately 31.04% of the assessed value of property, including personal property, located in the District and the ten principal taxpayers within the District as of the 2020 certified estimate of assessed valuation owned approximately 22.26% of the assessed value of property, including personal property. 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.

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. In 2019, the District levied a total tax rate of $0.515 per $100 of assessed valuation composed of a maintenance tax rate of $0.155, a Utility System debt service tax rate of $0.165, and a Road System debt service tax rate of $0.195. For the 2020 tax year, the Board has authorized publication of a notice of public hearing to consider a total tax rate in the amount of $0.515.

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any owner of property to proceed at any particular pace with the construction of homes or commercial improvements in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT," "THE DEVELOPERS," and "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 taxable assessed valuation as of January 1, 2019, of all taxable property located within the District is $265,571,729, the 2020 Certified Estimate of Assessed Valuation is $349,011,521 and the Estimate of Value as of June 1, 2020, is $416,000,000. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds (2040) will be $2,758,938, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2020–2045) will be $2,472,916. Assuming no decrease to the District's taxable assessed valuation as of January 1, 2019, tax rates of $1.10 and $0.99 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 to the District's 2020 Certified Estimate of Assessed Valuation, tax rates of $0.84 and $0.75 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 the Estimate of Value as of June 1, 2020, tax rates of $0.70 and $0.63 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."

The District anticipates that a portion of the debt service on the Outstanding Bonds and the Bonds will be paid with the Rebate (hereinafter defined) pursuant to the Public Improvements Agreement (hereinafter defined). Based on the Town's 2019 tax rate of $0.649900 with a 46% rebate, the District expects to receive a Rebate of approximately $0.30 per $100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds but is **not** pledged to the payment of debt service on the Outstanding Bonds and the Bonds. If such revenues are ever insufficient to make debt service payments, the District is obligated to levy debt service taxes sufficient to make such payments. No representation can be made as to the Town's future tax rates and the impact they would have on the anticipated Rebate, or the ability of the District to make debt service payments on the Bonds if the Rebate is unavailable. See "THE BONDS – Public Improvements Agreement."

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.

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, 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 Orders. 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 Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may 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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by 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 the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Future Debt

After the issuance of the Bonds, the District will have $45,210,000 principal amount of unlimited tax bonds authorized but unissued bonds for the Utility System and $104,737,500 for the refunding of such bonds as well as have $96,495,000 principal amount of unlimited tax bonds authorized but unissued for the Road System and $177,675,000 for the refunding of such bonds. Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

After the issuance of the Bonds, the District will still owe the Developer approximately $28,900,000 for construction of road and water, sewer and drainage facilities on behalf of the District. The issuance of additional bonds will be necessary to finance the ultimate development of the remaining lands within the District. See "THE BONDS – Issuance of Additional Debt."

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

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.

Marketability of the Bonds

The District has no understanding with the initial purchaser 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 Orders 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 "LEGAL MATTERS – Tax Exemption."

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.

Potential Impact of Natural Disaster

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

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

Changes in Tax Legislation

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

Bond Insurance Investment considerations

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

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

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

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

Legal Review

In its capacity as Bond Counsel, Coats Rose, P.C., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for information under the subsections "– Book-Entry-Only System" and "– Use and Distribution of Bond Proceeds"), "THE DISTRICT – General" and "– Management of the District – Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, 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, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of, interest on, or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Orders 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.

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, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Not 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 did <u>not</u> designate the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code.

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

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

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

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 financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, DCAD and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Consultants

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Denton Central Appraisal District and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the water, sewer and drainage system and, in particular that information included in the sections entitled "THE DISTRICT," "STATUS OF DEVELOPMENT," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM," has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period" (as defined in Rule 15c2-12(f)(2) of the SEC), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification as to Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually. 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 within six months after the end of each fiscal year. The District will provide the updated information via EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB 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 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a 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 term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. 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 foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District is in compliance in all material respects with its previous undertakings pursuant to the Rule.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Highway 380 Municipal Management District No. 1 as of the date shown on the cover page hereof.

/s/ Philip Morgan
President, Board of Directors
Highway 380 Municipal Management District No. 1

ATTEST:

/s/ Douglas Peach
Secretary, Board of Directors
Highway 380 Municipal Management District No. 1

APPENDIX A

Financial Statements of the District

HIGHWAY 380

MUNICIPAL MANAGEMENT DISTRICT NO. 1

DENTON COUNTY, TEXAS

ANNUAL AUDIT REPORT

APRIL 30, 2019

C O N T E N T S

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

August 8, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Highway 380 Municipal
Management District No. 1
Denton County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Highway 380 Municipal Management District No. 1, as of and for the year ended April 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Highway 380 Municipal Management District No. 1 as of April 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR’S REPORT (Continued)

Emphasis of Matters

As discussed in Note 6 of the Notes to the Financial Statements, the District’s tax base is concentrated in a small number of taxpayers, including the District’s developer. My opinions are not modified with respect to these matters.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 21 be presented to supplement the basic financial statements. Such information, although not 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 my 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.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 40 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 Highway 380 Municipal Management District No. 1 (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 April 30, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by 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 sewer, drainage and road 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 for water, sewer, drainage and road systems from this fund are subject to the Rules of the Texas Commission on Environmental Quality and/or the Bond Orders. 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 service revenues 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, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. 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

	2019	2018	Change
Current and other assets	$ 1,976,960	$ 1,242,991	$ 733,969
Capital assets	14,133,729	18,514,148	(4,380,419)
Total assets	16,110,689	19,757,139	(3,646,450)
Long-term liabilities	36,635,777	31,005,247	5,630,530
Other liabilities	3,615,764	4,002,308	(386,544)
Total liabilities	40,251,541	35,007,555	5,243,986
Net position:			
Invested in capital assets, net of related debt	(25,511,271)	(16,106,931)	(9,404,340)
Restricted	1,179,598	854,425	325,173
Unrestricted	190,821	2,090	188,731
Total net position	$ (24,140,852)	$ (15,250,416)	$ (8,890,436)

Summary of Changes in Net Position

	2019	2018	Change
Revenues:			
Property taxes, including related penalty and interest	$ 879,184	$ 508,668	$ 370,516
Payments from Town of Little Elm	493,936	284,834	209,102
Capital recovery fees	355,750	115,000	240,750
Other revenues	16,495	2,632	13,863
Total revenues	1,745,365	911,134	834,231
Expenses:			
Service operations	9,175,235	7,543,793	1,631,442
Debt service	1,460,566	825,188	635,378
Total expenses	10,635,801	8,368,981	2,266,820
Change in net position	(8,890,436)	(7,457,847)	(1,432,589)
Net position, beginning of year	(15,250,416)	(7,792,569)	(7,457,847)
Net position, end of year	$ (24,140,852)	$ (15,250,416)	$ (8,890,436)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2019, were $1,919,704, an increase of $743,129 from the prior year.

The General Fund balance increased by $203,397, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $539,475, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by $257, as proceeds from the Series 2018 Utility Bonds, the Series 2018 Road Bonds and Series 2018 Bond Anticipation Note exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. There were several significant differences between the budgetary amounts and the actual amounts. A detailed comparison of budgeted and actual revenues and expenditures is presented on Page 21 of this report. The budgetary fund balance as of April 30, 2019, was expected to be $228,421 and the actual end of year fund balance was $429,643.

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)

	2019	2018	Change
Construction in progress	$ 14,119,972	$ 18,504,238	$ (4,384,266)
Easements	13,757	9,910	3,847
Totals	$ 14,133,729	$ 18,514,148	$ (4,380,419)

Changes to capital assets during the fiscal year ended April 30, 2019, are summarized as follows:

Additions:	
Utilities and roads constructed by developer	$ 4,235,189
Easements	3,847
Total additions to capital assets	4,239,036
Decreases:	
Transfer of assets to other entities	(8,619,455)
Net change to capital assets	$ (4,380,419)

Debt

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2019, are summarized as follows:

Bonded debt payable, beginning of year	$ 12,925,000
Utility bonds sold	6,800,000
Road bonds sold	4,000,000
Bonds paid	(345,000)
Bonded debt payable, end of year	$ 23,380,000

At April 30, 2019, the District had $104,685,000 unlimited tax bonds authorized but unissued for road purposes and $59,685,000 authorized but unissued for water, sanitary sewer and drainage purposes.

The District's bonds do not have an underlying rating. The District's Series 2018 utility bonds and Series 2018 road bonds are insured by Build America Mutual Assurance Company. Because of the insurance, these bonds are rated AA by Standard & Poor's.

The District issued its Series 2018 Bond Anticipation Note in the amount of $3,080,000 on December 18, 2018. The Note bears interest at a rate of 2.68% per annum and is due and payable on December 17, 2019.

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 April 30, 2019, the cumulative amount of developer advances for this purpose was $240,000.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing roads and water, sewer and drainage facilities 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. At April 30, 2019, the estimated amount due to the developer was $14,119,972.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately $73,715,000 for the 2018 tax year (approximately 76%) due to the addition of new homes within the District.

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one 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 meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

Relationship to the Town of Little Elm

The District lies wholly within the corporate boundaries of the Town of Little Elm (the "Town"). Effective October 15, 2013, the District entered into a Public Improvements Agreement and Chapter 380 Economic Development Agreement (the "Agreement") with the Town of Little Elm and the developer. In consideration of the District's acquiring and constructing road and utility systems on behalf of the Town, the Town agrees, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the road and drainage systems. In addition, the Town shall rebate 46% of the ad valorem taxes imposed and collected by the Town on land and improvements located within the District back to the District. Under the terms of the Agreement, the rebate will be used by the District to pay for the design and construction of roads, utilities, recreational facilities and firefighting facilities or to pay debt service on bonds issued by the District for such purposes. If such rebate is insufficient to make debt service payments, the District is obligated to levy a debt service tax in an amount sufficient to make such payments. The Town will pay the rebate to the District on February 28^{th} of the year following the year in which the taxes were levied and every 90 days thereafter until the full rebate for that tax year has been paid. The Town shall withhold 2% of the rebate for each tax year, after deducting the cost of tax collection, to be deposited into a sinking fund. All funds remaining in the sinking fund at the conclusion of the Agreement shall be paid the District with the final rebate payment. In addition to the rebate, the Town shall collect a capital recovery fee of $2,500 for each permitted single family home. The Town shall retain a portion of each capital recovery fee collected by the Town on the first 1,500 single family homes as follows: $1,250 per home on the first 500 single family homes, $1,000 per home on the next 500 single family homes and $750 per home on the next 500 single family homes.

The Town waived its right to dissolve the District until such time as (1) all of the water facilities, wastewater facilities, drainage facilities, roads and improvements necessary to serve the full development of the district have been constructed and (2) the District has issued bonds to reimburse all of the costs of such improvements.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2019

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 388,582	$ 248,536	$ 262,087	$ 899,205	$	$ 899,205
Certificates of deposit, at cost, Note 7		930,000		930,000		930,000
Receivables:						
Property taxes	1,178	1,518		2,696		2,696
Accrued interest		8,701		8,701		8,701
Due from Town of Little Elm, Note 9	69,250			69,250		69,250
Due from other fund		40,737		40,737	(40,737)	0
Prepaid expenditures	11,454			11,454		11,454
Prepaid bond expenditures	55,654			55,654		55,654
Capital assets not being depreciated, Note 4				0	14,133,729	14,133,729
Total assets	$ 526,118	$1,229,492	$ 262,087	$ 2,017,697	14,092,992	16,110,689
LIABILITIES						
Accounts payable	$ 54,560	$	$	$ 54,560		54,560
Due to other fund	40,737			40,737	(40,737)	0
Long-term liabilities, Note 5:						
Due within one year				0	3,561,204	3,561,204
Due in more than one year				0	36,635,777	36,635,777
Total liabilities	95,297	0	0	95,297	40,156,244	40,251,541
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	1,178	1,518	0	2,696	(2,696)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		311,981		311,981	(311,981)	0
Assigned to:						
Debt service		915,993		915,993	(915,993)	0
Capital projects			262,087	262,087	(262,087)	0
Unassigned	429,643			429,643	(429,643)	0
Total fund balances	429,643	1,227,974	262,087	1,919,704	(1,919,704)	0
Total liabilities, deferred inflows, and fund balances	$ 526,118	$1,229,492	$ 262,087	$ 2,017,697		
Net position:						
Invested in capital assets, net of related debt, Note 4					(25,511,271)	(25,511,271)
Restricted for debt service					917,511	917,511
Restricted for capital projects					262,087	262,087
Unrestricted, Note 5					190,821	190,821
Total net position					$ (24,140,852)	$(24,140,852)

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 397,118	$ 493,942	$	$ 891,060	$ (13,939)	$ 877,121
Payments from Town of Little Elm, Note 9		493,936		493,936		493,936
Capital recovery fees, Note 9	355,750			355,750		355,750
Penalty, interest and other		2,063		2,063		2,063
Accrued interest on bonds received at date of sale		13,117		13,117	(13,117)	0
Interest on deposits	1,483	15,012		16,495		16,495
Total revenues	754,351	1,018,070	0	1,772,421	(27,056)	1,745,365
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	9,455			9,455		9,455
Professional fees	56,672			56,672		56,672
Contracted services	32,174	4,573		36,747		36,747
Utilities	19,910			19,910		19,910
Repairs and maintenance	414,345			414,345		414,345
Administrative expenditures	18,398			18,398		18,398
Capital outlay / non-capital outlay			8,623,555	8,623,555	(3,847)	8,619,708
Debt service:						
Principal retirement		345,000		345,000	(345,000)	0
Bond issuance expenditures			797,457	797,457		797,457
Interest and fees		653,753		653,753	9,356	663,109
Total expenditures / expenses	550,954	1,003,326	9,421,012	10,975,292	(339,491)	10,635,801
Excess (deficiency) of revenues over expenditures	203,397	14,744	(9,421,012)	(9,202,871)	312,435	(8,890,436)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		828,731	9,971,269	10,800,000	(10,800,000)	0
Bond issuance discount, Note 5		(304,000)		(304,000)	304,000	0
Bond Anticipation Note repayment, Note 5			(3,630,000)	(3,630,000)	3,630,000	0
Bond Anticipation Note proceeds, Note 5			3,080,000	3,080,000	(3,080,000)	0
Total other financing sources (uses)	0	524,731	9,421,269	9,946,000	(9,946,000)	0
Net change in fund balances / net position	203,397	539,475	257	743,129	(9,633,565)	(8,890,436)
Beginning of year	226,246	688,499	261,830	1,176,575	(16,426,991)	(15,250,416)
End of year	$ 429,643	$ 1,227,974	$ 262,087	$ 1,919,704	$(26,060,556)	$(24,140,852)

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2019

NOTE 1: REPORTING ENTITY

Highway 380 Municipal Management District No. 1 (the "District") was created pursuant to Chapter 831 (S.B. 1878), Section 1, Acts of the 83rd Legislature of the State of Texas, Regular Session, 2013, codified as Chapter 3920, Special District Local Laws Code, as amended under the authority of Article III, Section 52 Article III, Section 52-a and Article XVI, Section 59 of the Texas Constitution and operates under and is governed by the provisions of Chapter 3920, Special District Local Laws Code, Chapter 375, Local Government Code, and Chapter 49, Texas Water Code, as amended. The District is located within the Town of Little Elm and Denton County, Texas. The District is a political subdivision of the State of Texas, governed by an appointed five member Board of Directors. The Board of Directors held its first meeting on May 7, 2014. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage. The District is empowered, among other things, to provide for water, wastewater, drainage, road and recreational facilities.

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 is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. 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 and other 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 inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years
Roads	45 years

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, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

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		$ 1,919,704
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		14,133,729
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	$ (23,380,000)	
Issuance discount (to be amortized as interest expense)	622,991	
Bond Anticipation Note payable	(3,080,000)	
Due to developers for operating advances	(240,000)	
Due to developers for construction	(14,119,972)	(40,196,981)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		2,696
Net position, end of year		$ (24,140,852)

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

Total net change in fund balances		$ 743,129
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay		3,847
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:		
Utility bonds issued	$ (6,800,000)	
Road bonds issued	(4,000,000)	
Principal reduction	345,000	
Bond Anticipation Note paid	3,630,000	
Bond Anticipation Note sold	(3,080,000)	(9,905,000)
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		281,527
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		(13,939)
Change in net position		$ (8,890,436)

NOTE 4: CAPITAL ASSETS

At April 30, 2019, “Invested in capital assets, net of related debt” was $(25,511,271). As further described in Note 9, under the terms of agreements with the Town of Little Elm and Mustang Special Utility District, the District transfers the ownership of certain capital assets constructed by the District to the respective entity. Under the terms of the agreements, 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 system until such phase is completed and approved by the other entity, at which time ownership of such phase shall be transferred to the other entity. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended April 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 18,504,238	$ 4,235,189	$ 8,619,455	$ 14,119,972
Easements	9,910	3,847		13,757
Total capital assets not being depreciated	18,514,148	4,239,036	8,619,455	14,133,729
Total capital assets, net	$ 18,514,148	$ 4,239,036	$ 8,619,455	$ 14,133,729
Changes to capital assets:				
Capital outlay		$ 3,847	$	
Capital outlay paid (decrease in liability) to developer		(8,619,455)		
Increase in liability to developer for construction		4,235,189		
Assets transferred to other entities		8,619,455	8,619,455	
Net increases / decreases to capital assets		$ 4,239,036	$ 8,619,455	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 12,925,000	$ 10,800,000	$ 345,000	$ 23,380,000	$ 525,000
Add (less) deferred amounts:					
For issuance (discounts) premiums	(341,464)	(304,000)	(22,473)	(622,991)	(43,796)
Total bonds payable	12,583,536	10,496,000	322,527	22,757,009	481,204
Bond Anticipation Note payable	3,630,000	3,080,000	3,630,000	3,080,000	3,080,000
Due to developers for operating advances (see below)	240,000			240,000	-----------
Due to developers for construction (see below)	18,504,238	4,235,189	8,619,455	14,119,972	-----------
Total due to developers	18,744,238	4,235,189	8,619,455	14,359,972	0
Total long-term liabilities	$ 34,957,774	$ 17,811,189	$ 12,571,982	$ 40,196,981	$ 3,561,204

Developer Construction Commitments, Liabilities and Advances

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2019, the cumulative amount of unreimbursed developer advances was $240,000. 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 $430,821.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The developer within the District has constructed certain underground facilities and roads 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 future bond issues to the extent approved by the Texas Commission on Environmental Quality. The developer stated that unreimbursed cost of the construction in progress at April 30, 2019, was $14,119,972. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The District issued its Series 2018 Bond Anticipation Note in the amount of $3,080,000 on December 18, 2018. The Note bears interest at a rate of 2.68% per annum and is due and payable on December 17, 2019.

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of April 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 525,000	$ 855,298	$ 1,380,298
2021	665,000	836,922	1,501,922
2022	690,000	813,453	1,503,453
2023	710,000	788,007	1,498,007
2024	735,000	761,072	1,496,072
2025 - 2029	4,090,000	3,371,451	7,461,451
2030 - 2034	4,915,000	2,617,897	7,532,897
2035 - 2039	5,945,000	1,670,686	7,615,686
2040 - 2044	5,105,000	485,949	5,590,949
	$ 23,380,000	$ 12,200,735	$ 35,580,735

Road bonds voted	$ 118,450,000
Road bonds approved for sale and sold	13,765,000
Road bonds voted and not issued	104,685,000
Water, sewer and drainage bonds voted	69,825,000
Water, sewer and drainage bonds approved for sale and sold	9,960,000
Water, sewer and drainage bonds voted and not issued	59,865,000

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)

The bond issues payable at April 30, 2019, were as follows:

	Series 2016 Road	Series 2017 Utility	Series 2017 Road
Amounts outstanding, April 30, 2019	$6,245,000	$3,075,000	$3,260,000
Interest rates	2.10% to 3.625%	2.00% to 3.875%	2.00% to 4.00%
Maturity dates, serially beginning/ending	May 1, 2020/2042	May 1, 2020/2042	May 1, 2020/2042
Interest payment dates	May 1/November 1	May 1/November 1	May 1/November 1
Callable dates	May 1, 2024*	May 1, 2025*	May 1, 2025*

	Series 2018 Utility	Series 2018 Road
Amounts outstanding, April 30, 2019	$6,800,000	$4,000,000
Interest rates	3.00% to 5.50%	4.00% to 5.00%
Maturity dates, serially beginning/ending	May 1, 2020/2043	May 1, 2021/2044
Interest payment dates	May 1/November 1	May 1/November 1
Callable dates	May 1, 2023*	May 1, 2023*

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

In accordance with the Series 2017 Utility Bond Order, the Series 2018 Utility Bond Order and the Series 2018 Road Bond Order, 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 2017 utility bonds		$ 99,918
12 months' interest from sale of Series 2018 utility bonds	$ 262,175	
Accrued interest received at date of sale	7,282	269,457
18 months' interest from sale of Series 2018 road bonds	262,556	
Accrued interest received at date of sale	5,835	268,391
Deduct appropriation for bond interest paid:		
Series 2017 utility bonds	(99,918)	
Series 2018 utility bonds	(152,935)	
Series 2018 road bonds	(72,932)	(325,785)
Bond interest reserve, end of year		$ 311,981

NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

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 May 19, 2015, 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. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater, drainage and road bonds.

On September 13, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of $170,340,845:

	Rate	Amount
Debt service, Utilities	$ 0.1500	$ 255,511
Debt service, Roads	0.1400	238,477
Maintenance	0.2250	383,267
	$ 0.5150	$ 877,255

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

2018 tax year total property tax levy	$ 877,255
Appraisal district adjustments to prior year taxes	(134)
Statement of Activities property tax revenues	$ 877,121

Concentration of Tax Base

The District’s tax base is concentrated in a small number of taxpayers. The District’s developer owns a substantial portion of land within the District. If any one 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 meet the debt service obligations described in Note 5.

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.

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 carrying amount of the District's deposits and the bank balance were $1,829,205. Of the bank balance, $250,000 was covered by federal insurance and $1,579,205 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund	
For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:	
Cash	$ 248,536
Certificate of deposit	930,000
	$ 1,178,536
Capital Projects Fund	
For construction of capital assets:	
Cash	$ 262,087

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.

At April 30, 2019, the District had property damage and boiler and machinery coverage of $2,589,000, general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, umbrella liability coverage of $1,000,000, workers compensation coverage of $1,000,000 and consultant’s crime coverage of $10,000.

NOTE 9: CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES

Town of Little Elm

The District lies wholly within the corporate boundaries of the Town of Little Elm (the "Town"). Effective October 15, 2013, the District entered into a Public Improvements Agreement and Chapter 380 Economic Development Agreement (the "Agreement") with the Town of Little Elm and the developer. In consideration of the District's acquiring and constructing road and utility systems on behalf of the Town, the Town agrees, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the road and drainage systems. In addition, the Town shall rebate 46% of the ad valorem taxes imposed and collected by the Town on land and improvements located within the District back to the District. Under the terms of the Agreement, the rebate will be used by the District to pay for the design and construction of roads, utilities, recreational facilities and firefighting facilities or to pay debt service on bonds issued by the District for such purposes. If such rebate is insufficient to make debt service payments, the District is obligated to levy a debt service tax in an amount sufficient to make such payments. The Town will pay the rebate to the District on February 28th of the year following the year in which the taxes were levied and every 90 days thereafter until the full rebate for that tax year has been paid. The Town shall withhold 2% of the rebate for each tax year, after deducting the cost of tax collection, to be deposited into a sinking fund. All funds remaining in the sinking fund at the conclusion of the Agreement shall be paid the District with the final rebate payment. During the year ended April 30, 2019, the District accrued $493,936 from the Town.

In addition to the rebate, the Town shall collect a capital recovery fee of $2,500 for each permitted single family home. The Town shall retain a portion of each capital recovery fee collected by the Town on the first 1,500 single family homes as follows: $1,250 per home on the first 500 single family homes, $1,000 per home on the next 500 single family homes and $750 per home on the next 500 single family homes. During the year ended April 30, 2019, the District accrued $355,750 for capital recovery fees, of which $69,250 was receivable at that date.

Service Contract with Mustang Special Utility District

On September 11, 2014, the District entered into a water supply and wastewater treatment service contract (the "Contract") with Mustang Special Utility District ("Mustang SUD"). Under the terms of the Contract, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang SUD. In consideration of the District's construction and conveying such systems, Mustang SUD shall assume all operation and maintenance responsibilities for the water and wastewater systems. Mustang SUD receives wholesale treated surface water from the Upper Trinity Regional Water District ("UTRWD") and is a participant in the Riverbend Wastewater Treatment Plant which is owned and operated by the UTRWD. The District purchased $9,455 of water from Mustang SUD during the year ended April 30, 2019.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 277,450	$ 277,450	$ 397,118	$ 119,668
Capital recovery fees, Note 9	196,250	196,250	355,750	159,500
Interest on deposits	360	360	1,483	1,123
TOTAL REVENUES	474,060	474,060	754,351	280,291
EXPENDITURES				
Service operations:				
Purchased services	9,000	9,000	9,455	455
Professional fees	51,500	51,500	56,672	5,172
Contracted services	27,900	27,900	32,174	4,274
Utilities	6,000	6,000	19,910	13,910
Repairs and maintenance	375,200	375,200	414,345	39,145
Administrative expenditures	17,285	17,285	18,398	1,113
TOTAL EXPENDITURES	486,885	486,885	550,954	64,069
EXCESS REVENUES (EXPENDITURES)	(12,825)	(12,825)	203,397	216,222
OTHER FINANCING SOURCES (USES)				
Developer advances	15,000	15,000	0	(15,000)
TOTAL OTHER FINANCIAL SOURCES (USES)	15,000	15,000	0	(15,000)
EXCESS SOURCES (USES)	2,175	2,175	203,397	201,222
FUND BALANCE, BEGINNING OF YEAR	226,246	226,246	226,246	0
FUND BALANCE, END OF YEAR	$ 228,421	$ 228,421	$ 429,643	$ 201,222

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.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

APRIL 30, 2019

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[ ] TSI-3. Temporary Investments
Not applicable.

[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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2019

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

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

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

__ Other

2. Retail Service Providers

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

Not Applicable. See Note 9 of the Notes to the Financial Statements.

b. Water and Wastewater Retail Connections:

Not Applicable. See Note 9 of the Notes to the Financial Statements.

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

Not Applicable. See Note 9 of the Notes to the Financial Statements.

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: __________________

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Purchased services	$ 9,455	$ 0	$ 0	$ 9,455
Professional fees:				
Auditing	6,500			6,500
Legal	31,622			31,622
Engineering	18,550			18,550
	56,672	0	0	56,672
Contracted services:				
Bookkeeping	8,719			8,719
Management fees	23,455			23,455
Tax assessor-collector		448		448
Appraisal district		4,125		4,125
	32,174	4,573	0	36,747
Utilities	19,910	0	0	19,910
Repairs and maintenance	414,345	0	0	414,345
Administrative expenditures:				
Director's fees	3,150			3,150
Insurance	11,761			11,761
Other	3,487		90	3,577
	18,398	0	90	18,488
CAPITAL OUTLAY				
Authorized expenditures	0	0	8,623,555	8,623,555
DEBT SERVICE				
Principal retirement	0	345,000	0	345,000
Bond issuance expenditures	0	0	797,457	797,457
Interest and fees:				
Interest		652,553		652,553
Paying agent fees		1,200		1,200
	0	653,753	0	653,753
TOTAL EXPENDITURES	$ 550,954	$ 1,003,326	$ 9,421,102	$ 10,975,382

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED APRIL 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	$ 1,483	$ 535,454	$	$ 536,937
Maintenance tax receipts		397,118		397,118
Transfer of maintenance taxes	404,261			404,261
Proceeds from sale of Bonds		524,731	9,971,269	10,496,000
Proceeds from Bond Anticipation Note			3,080,000	3,080,000
Capital recovery fees received	286,500			286,500
Rebate payments from Town of Little Elm		493,936		493,936
Receipt of interfund receivable	6,790			6,790
TOTAL DEPOSITS PROVIDED	699,034	1,951,239	13,051,269	15,701,542
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	449,204	4,573		453,777
Capital outlay			8,623,555	8,623,555
Debt service		998,753		998,753
Other fund		40,737		40,737
Prepaid expenditures	67,108			67,108
Payment of interfund payable		6,790		6,790
Transfer of maintenance taxes		404,261		404,261
Bond issuance expenses			797,457	797,457
Payment of Bond Anticipation Note			3,630,000	3,630,000
Bond Anticipation Note issuance expenses				0
TOTAL DEPOSITS APPLIED	516,312	1,455,114	13,051,012	15,022,438
INCREASE (DECREASE) IN DEPOSITS	182,722	496,125	257	679,104
DEPOSITS BALANCES, BEGINNING OF YEAR	205,860	682,411	261,830	1,150,101
DEPOSITS BALANCES, END OF YEAR	$ 388,582	$ 1,178,536	$ 262,087	$ 1,829,205

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF CERTIFICATES OF DEPOSIT

FOR THE YEAR ENDED APRIL 30, 2019

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
DEBT SERVICE FUND				
Certificate of Deposit				
No. 66000734	2.30%	10/21/19	$ 285,000	$ 3,275
No. 66000900	2.30%	10/25/19	190,000	479
No. 66000733	2.30%	10/21/19	235,000	2,598
No. 66000829	2.30%	11/21/19	220,000	2,349
			$ 930,000	$ 8,701

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED APRIL 30, 2019

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 15,844	$ 791
Additions and corrections to prior year taxes	(815)	681
Adjusted receivable, beginning of year	15,029	1,472
2018 ADJUSTED TAX ROLL	383,267	493,988
Total to be accounted for	398,296	495,460
Tax collections: Current tax year	(382,089)	(492,470)
Prior tax years	(15,029)	(1,472)
RECEIVABLE, END OF YEAR	$ 1,178	$ 1,518
RECEIVABLE, BY TAX YEAR		
2018	$ 1,178	$ 1,518
RECEIVABLE, END OF YEAR	$ 1,178	$ 1,518

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED APRIL 30, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2018	2017	2016	2015*
Land	$ 97,803,074	$ 69,469,698	$ 38,992,904	$ 19,058,798
Improvements	96,042,655	55,230,076	4,980,400	23,264
Personal property	202,588	131,685	119,471	0
Less exemptions	(23,707,472)	(28,205,775)	(14,483,065)	(14,834,277)
TOTAL PROPERTY VALUATIONS	$ 170,340,845	$ 96,625,684	$ 29,609,710	$ 4,247,785
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.29000	$ 0.33000	$ 0.00000	$ 0.00000
Maintenance tax rates**	0.22500	0.18000	0.50500	0.50500
TOTAL TAX RATES PER $100 VALUATION	$ 0.51500	$ 0.51000	$ 0.50500	$ 0.50500
TAX ROLLS	$ 877,255	$ 492,791	$ 151,025	$ 35,368
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	99.9 %	100 %	100 %	100

*First year the District levied ad valorem taxes.

**Maximum tax rate approved by voters on May 19, 2015: $1.20

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

FOR THE YEAR ENDED APRIL 30, 2019

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2016 Road		
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2020	$ 175,000	$ 201,406	$ 376,406
2021	180,000	196,156	376,156
2022	190,000	192,376	382,376
2023	195,000	188,196	383,196
2024	200,000	183,516	383,516
2025	210,000	178,516	388,516
2026	220,000	172,742	392,742
2027	225,000	166,142	391,142
2028	235,000	159,392	394,392
2029	245,000	152,342	397,342
2030	255,000	144,992	399,992
2031	265,000	137,086	402,086
2032	275,000	128,606	403,606
2033	285,000	119,324	404,324
2034	295,000	109,706	404,706
2035	305,000	99,750	404,750
2036	315,000	89,456	404,456
2037	330,000	78,432	408,432
2038	340,000	66,882	406,882
2039	355,000	54,556	409,556
2040	370,000	41,688	411,688
2041	385,000	28,274	413,274
2042	395,000	14,318	409,318
TOTALS	$ 6,245,000	$ 2,903,854	$ 9,148,854

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2017 Utility		
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2020	$ 85,000	$ 103,785	$ 188,785
2021	90,000	102,085	192,085
2022	95,000	100,195	195,195
2023	95,000	98,105	193,105
2024	100,000	95,825	195,825
2025	105,000	93,225	198,225
2026	110,000	90,285	200,285
2027	110,000	86,985	196,985
2028	115,000	83,575	198,575
2029	120,000	79,895	199,895
2030	125,000	75,995	200,995
2031	130,000	71,776	201,776
2032	135,000	67,356	202,356
2033	140,000	62,632	202,632
2034	145,000	57,556	202,556
2035	150,000	52,300	202,300
2036	155,000	46,862	201,862
2037	160,000	41,050	201,050
2038	170,000	35,050	205,050
2039	175,000	28,675	203,675
2040	180,000	21,894	201,894
2041	190,000	14,919	204,919
2042	195,000	7,556	202,556
TOTALS	$ 3,075,000	$ 1,517,581	$ 4,592,581

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2017 Road		
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2020	$ 90,000	$ 112,894	$ 202,894
2021	95,000	111,094	206,094
2022	100,000	109,194	209,194
2023	100,000	106,194	206,194
2024	105,000	103,194	208,194
2025	110,000	100,044	210,044
2026	115,000	96,744	211,744
2027	120,000	93,294	213,294
2028	125,000	89,694	214,694
2029	130,000	85,788	215,788
2030	135,000	81,562	216,562
2031	135,000	77,006	212,006
2032	140,000	72,281	212,281
2033	150,000	67,381	217,381
2034	155,000	62,131	217,131
2035	160,000	56,512	216,512
2036	165,000	50,512	215,512
2037	170,000	44,325	214,325
2038	180,000	37,950	217,950
2039	185,000	31,200	216,200
2040	190,000	23,800	213,800
2041	200,000	16,200	216,200
2042	205,000	8,200	213,200
TOTALS	$ 3,260,000	$ 1,637,194	$ 4,897,194

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2018 Utility		
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2020	$ 175,000	$ 262,175	$ 437,175
2021	180,000	252,550	432,550
2022	185,000	242,650	427,650
2023	195,000	232,475	427,475
2024	200,000	221,750	421,750
2025	210,000	210,750	420,750
2026	220,000	199,200	419,200
2027	230,000	188,750	418,750
2028	235,000	181,850	416,850
2029	245,000	174,800	419,800
2030	255,000	167,450	422,450
2031	265,000	159,800	424,800
2032	280,000	151,519	431,519
2033	290,000	142,418	432,418
2034	300,000	132,631	432,631
2035	315,000	122,131	437,131
2036	325,000	111,106	436,106
2037	340,000	99,731	439,731
2038	355,000	87,406	442,406
2039	370,000	74,538	444,538
2040	385,000	61,125	446,125
2041	400,000	46,688	446,688
2042	415,000	31,688	446,688
2043	430,000	16,125	446,125
TOTALS	$ 6,800,000	$ 3,571,306	$ 10,371,306

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2018 Road		
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2020	$	$ 175,038	$ 175,038
2021	120,000	175,037	295,037
2022	120,000	169,038	289,038
2023	125,000	163,037	288,037
2024	130,000	156,787	286,787
2025	125,000	150,287	275,287
2026	125,000	144,037	269,037
2027	135,000	137,788	272,788
2028	135,000	131,038	266,038
2029	135,000	124,288	259,288
2030	140,000	117,537	257,537
2031	150,000	111,938	261,938
2032	155,000	105,938	260,938
2033	155,000	99,738	254,738
2034	160,000	93,538	253,538
2035	170,000	87,138	257,138
2036	180,000	80,125	260,125
2037	185,000	72,700	257,700
2038	190,000	65,068	255,068
2039	200,000	57,231	257,231
2040	210,000	48,981	258,981
2041	215,000	40,318	255,318
2042	230,000	31,450	261,450
2043	250,000	21,675	271,675
2044	260,000	11,050	271,050
TOTALS	$ 4,000,000	$ 2,570,800	$ 6,570,800

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

The District will pay the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Annual Requirements for All Series		
Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total
2020	$ 525,000	$ 855,298	$ 1,380,298
2021	665,000	836,922	1,501,922
2022	690,000	813,453	1,503,453
2023	710,000	788,007	1,498,007
2024	735,000	761,072	1,496,072
2025	760,000	732,822	1,492,822
2026	790,000	703,008	1,493,008
2027	820,000	672,959	1,492,959
2028	845,000	645,549	1,490,549
2029	875,000	617,113	1,492,113
2030	910,000	587,536	1,497,536
2031	945,000	557,606	1,502,606
2032	985,000	525,700	1,510,700
2033	1,020,000	491,493	1,511,493
2034	1,055,000	455,562	1,510,562
2035	1,100,000	417,831	1,517,831
2036	1,140,000	378,061	1,518,061
2037	1,185,000	336,238	1,521,238
2038	1,235,000	292,356	1,527,356
2039	1,285,000	246,200	1,531,200
2040	1,335,000	197,488	1,532,488
2041	1,390,000	146,399	1,536,399
2042	1,440,000	93,212	1,533,212
2043	680,000	37,800	717,800
2044	260,000	11,050	271,050
TOTALS	$ 23,380,000	$ 12,200,735	$ 35,580,735

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED APRIL 30, 2019

	(1)	(2)	(3)	(4)
Bond Series:	2016 Road	2017 Utility	2017 Road	2018 Utility
Interest Rate:	2.10% to 3.625%	2.00% to 3.875%	2.00% to 4.00%	3.00% to 5.50%
Dates Interest Payable:	May 1/ November 1	May 1/ November 1	May 1/ November 1	May 1/ November 1
Maturity Dates:	May 1, 2020/2042	May 1, 2020/2042	May 1, 2020/2042	May 1, 2020/2042
Bonds Outstanding at Beginning of Current Year	$ 6,415,000	$ 3,160,000	$ 3,350,000	$ 0
Add Bonds Sold	0	0	0	6,800,000
Less Retirements	(170,000)	(85,000)	(90,000)	0
Bonds Outstanding at End of Current Year	$ 6,245,000	$ 3,075,000	$ 3,260,000	$ 6,800,000
Current Year Interest Paid	$ 206,506	$ 105,485	$ 114,694	$ 152,935

Bond Descriptions and Original Amount of Issue

(1) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2016 ($6,415,000)

(2) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2017 ($3,160,000)

(3) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2017 ($3,350,000)

(4) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2018 ($6,800,000)

Paying Agent/Registrar

(1) (2) (3) Amegy Bank, a division of ZB, N.A., Plano, Texas

(4) ZB, National Association, dba Amegy Bank, Houston, Texas

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2019

	(5)	Totals
Bond Series:	2018 Road	
Interest Rate:	4.00% to 5.00%	
Dates Interest Payable:	May 1/ November 1	
Maturity Dates:	May 1, 2021/2044	
Bonds Outstanding at Beginning of Current Year	$ 0	$ 12,925,000
Add Bonds Sold	4,000,000	10,800,000
Less Retirements	0	(345,000)
Bonds Outstanding at End of Current Year	$ 4,000,000	$ 23,380,000
Current Year Interest Paid	$ 72,931	$ 652,552

Bond Descriptions and Original Amount of Issue

(5) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2018 ($4,000,000)

Paying Agent/Registrar

(5) Zions Bancorporation, National Association, Houston, Texas

Bond Authority	Tax Bonds*	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 188,275,000	$ 0	$ 282,412,500
Amount Issued:	23,725,000		0
Remaining to be Issued:	164,550,000		282,412,500

*See Note 5 of the notes to financial statements for additional information.

Net Debt Service Fund deposits and investments balances as of September 30, 2017:	$1,227,974
Average annual debt service payment for remaining term of all debt:	1,423,230

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015*	2019	2018	2017	2016	2015
REVENUES										
Property taxes	$ 397,118	$ 175,214	$ 147,810	$ 21,451	$	52.6 %	60.0 %	36.1 %	31.4 %	N/A %
Payments from Town of Little Elm	0	1,071	86,696	20,386		0.0	0.4	21.2	29.8	N/A
Capital recovery fees	355,750	115,000	174,750	26,500		47.2	39.4	42.7	38.8	N/A
Penalty	0	0	63	0		0.0	0.0	0.0	0.0	N/A
Interest on deposits	1,483	659	11	0		0.2	0.2	0.0	0.0	N/A
TOTAL REVENUES	754,351	291,944	409,330	68,337	0	100.0	100.0	100.0	100.0	N/A
EXPENDITURES										
Service operations:										
Purchased services	9,455	8,544	16,348	698		1.3	2.9	4.0	1.0	N/A
Professional fees	56,672	44,688	90,658	42,414	73,260	7.5	15.4	22.2	62.1	N/A
Contracted services	32,174	29,487	20,628	16,131	4,597	4.3	10.1	5.0	23.6	N/A
Utilities	19,910	4,154	2,794	0	4,597	2.6	1.4	0.7	0.0	N/A
Repairs and maintenance	414,345	296,320	296,211	0	4,597	54.9	101.5	72.4	0.0	N/A
Administrative expenditures	18,398	14,922	16,072	9,444	12,995	2.4	5.1	3.9	13.8	N/A
TOTAL EXPENDITURES	550,954	398,115	442,711	68,687	100,046	73.0	136.4	108.2	N/A	0.0
EXCESS REVENUES (EXPENDITURES)	$ 203,397	$ (106,171)	$ (33,381)	$ (350)	$ (100,046)	27.0 %	(36.4) %	(8.2) %	N/A %	0.0 %
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					

*First year of financial activity.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017*	2016	2015	2019	2018	2017	2016	2015
REVENUES										
Property taxes	$ 493,942	$ 318,074	$ 0			48.5 %	52.1 %	0.0 %	%	%
Payments from Town of Little Elm	493,936	283,763	0			48.5	46.4	0.0		
Penalty and interest	2,063	571	0			0.2	0.1	0.0		
Accrued interest on bonds received at date of sale	13,117	6,728	9,752			1.3	1.1	95.2		
Interest on deposits	15,012	1,973	492			1.5	0.3	4.8		
TOTAL REVENUES	1,018,070	611,109	10,244	0	0	100.0	100.0	100.0	0.0	0.0
EXPENDITURES										
Current:										
Professional fees	0	0	0			0.0	0.0	0.0		
Contracted services	4,573	2,381	0			0.4	0.4	0.0		
Other expenditures	0	0	0			0.0	0.0	0.0		
Debt service:										
Principal retirement	345,000	0	0			33.9	0.0	0.0		
Interest and fees	653,753	335,344	120,462			64.3	54.9	1175.9		
TOTAL EXPENDITURES	1,003,326	337,725	120,462	0	0	98.6	55.3	1175.9	0.0	0.0
EXCESS REVENUES (EXPENDITURES)	$ 14,744	$ 273,384	$ (110,218)	$ 0	$ 0	1.4 %	44.7 %	(1,075. %	0.0 %	0.0 %

*First year of financial activity.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2019

Complete District Mailing Address: Highway 380 Municipal Management District No. 1
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, Texas 75254

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: April 12, 2019

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
Philip Morgan c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/15- 5/31/19	$ 1,200	$ 142	President
Angelica Huckelberry c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 12/13/18- 5/31/21	600	23	Vice President
Doug Peach c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/15- 5/31/19	0	0	Secretary
Teague Griffin c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/17- 5/31/21	0	0	Assistant Secretary
Danielle Androes c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/17- 5/31/21	1,050	129	Assistant Secretary

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

APRIL 30, 2019

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	5/7/14	$ 31,622 332,160 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	5/7/14	8,719 2,100 Bonds	Bookkeeper
Cindy Schmidt P.O. Box 170 Tomball, Texas 77377	8/4/14	0	Investment Officer
Kimley-Horn & Associates, Inc. 5750 Genesis Court Frisco, Texas 75034	4/13/17	15,550	Engineer
First Service Residential Texas, Inc. 3102 Oak Lawn Avenue, Suite 202 Dallas, Texas 75219	2/1/15	23,455	Management Consultant
Denton County Tax Assessor-Collector P.O. Box 90223 Denton, Texas 76202	9/10/15	448	Tax Assessor-Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	4,125	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	1/8/15	253,514 Bonds	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	7/14/16	6,500 14,100 Bonds	Independent Auditor

APPENDIX B

BAM Specimen Municipal Bond Insurance Policy

BAM

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.

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

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

APPENDIX C

AGM Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)